



May 15, 2015

Ms. Rachel Hurst, Director of Community Development
City of Coronado
1825 Strand Way
Coronado, CA 92118

Dear Ms. Hurst:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 25, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Coronado Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 23, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on March 25, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 8, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 11 through 19 – Loan Agreements between the City of Coronado (City) and the Agency totaling \$39,510,573. Finance no longer denies these items; however, Finance reduces the amounts requested. Based on a recent California Supreme Court decision related to the appeal of a re-entered agreement case, Finance is now approving this item as an enforceable obligation and Finance will be dismissing future appeals related to the Agency's case. Finance approves the following:
 - Item No. 11 – The Agreement Reentering Into the December 7, 1993 City Hall Loan Agreement has a current outstanding balance of \$6,229,090 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$138,424 and the remaining \$6,869,302 is denied.
 - Item No. 12 – The Agreement Reentering Into the June 18, 1996 Economic Development Loan Agreement has a current outstanding balance of \$1,501,168 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$33,359 and the remaining \$1,149,204 is denied.

- Item No. 13 – The Agreement Reentering Into the November 19, 2002 Capital Projects Loan Agreement has a current outstanding balance of \$18,809,914 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$417,998 and the remaining \$20,743,155 is denied.
- Item No. 14 – The Agreement Reentering Into the October 1, 1996 and November 20, 2001 Library Expansion Loan Agreement has a current outstanding balance of \$971,218 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$21,583 and the remaining \$1,071,037 is denied.
- Item No. 15 – The Agreement Reentering Into the July 1, 1997 Pool Assessment Loan Agreement has a current outstanding balance of \$32,484 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$722 and the remaining \$35,833 is denied.
- Item No. 16 – The Agreement Reentering Into the March 6, 2001 Downtown Enhancement Project Phase II Loan Agreement has a current outstanding balance of \$1,123,592 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$24,969 and the remaining \$1,239,072 is denied.
- Item No. 17 – The Agreement Reentering Into the July 1, 2001 Lifeguard Tower Loan Agreement has a current outstanding balance of \$70,355 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$1,563 and the remaining \$77,586 is denied.
- Item No. 18 – The Agreement Reentering Into the February 28, 2005 Capital Projects Loan Agreement has a current outstanding balance of \$4,358,436 with equal payments to be made from December 13, 2013, through December 31, 2035. Therefore, this item is approved for \$96,854 and the remaining \$4,806,387 is denied.
- Item No. 19 – The Agreement Reentering Into the June 17, 2008 Capital Projects Loan Agreement has a current outstanding balance of \$2,474,244; however, this agreement does not have a defined payment schedule. Therefore, this item is approved for \$0 and the full \$2,783,525 is denied at this time.
- Claimed administrative costs exceed the allowance by \$48,262. HSC section 34171 (b) limits fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$263,738 in administrative expenses. Although \$312,000 is claimed for administrative cost, only \$263,738 is available pursuant to the cap. Therefore, \$48,262 of excess administrative cost is not allowed.

During the Meet and Confer process, the Agency objected to Finance's determination that the administrative cost allowance has been exceeded and believes Item Nos. 11 through 19 should be included in the base calculation for administrative costs for the 2015-16 fiscal year. Based on the partial approvals of Item Nos. 11 through 19, Finance has adjusted the administrative cost allowance accordingly.

In addition, per Finance's letter dated March 25, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 54 – Housing Administrative Costs in the requested amount of \$287,000 and the total outstanding amount of \$765,000 are not enforceable obligations. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$9,055,002 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	47,853,365
Total RPTTF requested for administrative obligations	312,000
Total RPTTF requested for obligations on ROPS	\$ 48,165,365
Total RPTTF requested for non-administrative obligations	47,853,365
Denied Items	
Item No. 11	(6,869,302)
Item No. 12	(1,149,204)
Item No. 13	(20,743,155)
Item No. 14	(1,071,037)
Item No. 15	(35,833)
Item No. 16	(1,239,072)
Item No. 17	(77,586)
Item No. 18	(4,806,387)
Item No. 19	(2,783,525)
Item No. 54	(287,000)
	(39,062,101)
Total RPTTF authorized for non-administrative obligations	\$ 8,791,264
Total RPTTF requested for administrative obligations	312,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(48,262)
Total RPTTF authorized for administrative obligations	\$ 263,738
Total RPTTF authorized for obligations	\$ 9,055,002
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 9,055,002

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	8,791,264
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF at 3%	263,738
Total RPTTF administrative obligations after Finance adjustments	312,000
Administrative costs in excess of the cap	\$ (48,262)

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section

Ms. Rachel Hurst
May 15, 2015

Page 5

34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Rhonda Huth, Senior Management Analyst, City of Coronado
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office