DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 13, 2015

Mr. Todd Bodem, City Administrator
Sand City
1 Sylvan Park
Sand City, CA 93955

Dear Mr. Bodem:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the Sand City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 2, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determination:

- Item No. 6 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of $99,237 is not allowed.

  HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year. According to the County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and fiscal year 2014-15 are $176,122 and $113,730, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for applicable fiscal year 2015-16 is zero. Therefore, the $99,237 requested for LMIHF/SERAF loan repayment is not allowed.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board has approved an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also

specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below only reflects the Agency's self-reported prior period adjustment, adjusted by Finance.

Based on our review of the Agency's Prior Period Adjustment (PPA) form, the Agency used Redevelopment Property Tax Trust Fund (RPTTF) for reserves of the next bond debt service payments; however, did not report those amounts on the PPA. As a result of the review, Finance is adjusting the PPA reported on ROPS 14-15B form by $125,716 to accurately reflect the payment amounts. The Agency expended the amounts of $96,903 (Item 18) and $28,813 (Item 19) to make payments for the 2008A Bond and 2008B Bond debts service payments, that were authorized by Finance on the Agency's ROPS 15-16A from reserves. Therefore, the total prior period adjustment, as calculated by Finance is $21,718.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the Item Nos. 1 and 2 totaling $5,896. Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $429,132 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		465,712
Total RPTTF requested for administrative obligations		84,375
Total RPTTF requested for obligations on ROPS 15-16B	$	**550,087**
Total RPTTF requested for non-administrative obligations		**465,712**
Denied Item		
Item No. 6		(99,237)
Total RPTTF authorized for non-administrative obligations	$	**366,475**
Total RPTTF authorized for administrative obligations	$	**84,375**
Total RPTTF authorized for obligations	$	**450,850**
Self-reported ROPS 14-15B prior period adjustment (PPA)		(147,434)
Finance adjustment to ROPS 14-15B PPA		125,716
Total ROPS 14-15B PPA		(21,718)
Total RPTTF approved for distribution	$	**429,132**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Linda Scholink, Director of Administrative Services, Sand City
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County