



REVISED

November 10, 2015

Ms. Tina Rodriguez, Successor Agency Administrator
City of Santa Monica
1901 Main Street, Suite B
Santa Monica, CA 90405

Dear Ms. Rodriguez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) determination letter dated November 6, 2015. A revision is necessary to correct a calculation error for Item No. 13. Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Santa Monica Successor Agency (Agency) submitted their ROPS 15-16B to Finance on September 29, 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 determinations:

- Item No. 13 – Bank of America Loan payment in the amount of \$1,935,061 is partially approved. The Agency requests \$288,580 of Other Funds and \$1,646,481 of Redevelopment Property Tax Trust Fund (RPTTF) for this obligation. Finance issued a Final and Conclusive determination on November 21, 2014 for this obligation; however, according to the Loan Amortization Schedule, only \$1,925,094 is due on January 15, 2016. Therefore, the difference of \$9,967 of RPTTF is not allowed.

In addition, as discussed on the next page, Item No. 41, an affordable housing project requesting the use of bond proceeds has been denied. Supporting documents illustrate \$956,920 of unencumbered bond funds remain after the repayment of the 2002 Ocean Park Bonds. Since the bonds have been retired, these funds are no longer restricted and become unencumbered Other Funds of the Agency. Finance notes of the available \$956,920 in Other Funds, the Agency have already applied \$288,580 for this obligation. Therefore, the remaining \$668,340 is available and as required by HSC 34177 (l) (1) (E), should be used prior to requesting RPTTF. This item is an enforceable obligation for the ROPS 15-16B period; however, the obligation does not require payment from property tax revenues. As such, Finance is reclassifying \$668,340 of the requested RPTTF to Other Funds. Therefore, Finance is approving RPTTF in the amount of \$968,174 and the use of Other Funds in the amount of \$956,920, totaling \$1,925,094.

- Item No. 17 – 2003 Promissory Note repayment in the amount of \$12,089,080 for the six-month period is partially approved. The Agency received a Finding of Completion on

January 16, 2015. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (3) (A) specifies 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 ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are \$28,145,595 and \$44,020,469 respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (3) (A), the maximum repayment amount authorized for fiscal year 2015-16 is \$7,937,437. Therefore, the \$4,151,643 of excess requested for the loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning in ROPS 16-17.

- Item No. 41 – Affordable Housing 2711-2713 Pico Boulevard in the amount of \$668,340 is not allowed. It is our understanding that contracts for these line items are not in place and the Agency desires to use unencumbered 2002 Ocean Park Bond funds remaining after the bond debt was paid in full. Since the bonds have been retired, these funds are no longer restricted and become unencumbered Other Funds of the Agency. HSC section 34163 (b) prohibits the Agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for Bond Proceeds.

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). The amount of RPTTF approved in the table on the following page 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 or the item that has been reclassified, 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 \$12,585,888 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	17,399,795
Total RPTTF requested for administrative obligations	253,882
Total RPTTF requested for obligations on ROPS 15-16B	\$ 17,653,677
Total RPTTF requested for non-administrative obligations	17,399,795
<u>Denied Items</u>	
Item No. 13	(9,967)
Item No. 17	(4,151,643)
	(4,161,610)
<u>Reclassified Item</u>	
Item No. 13	(668,340)
Total RPTTF authorized for non-administrative obligations	\$ 12,569,845
Total RPTTF authorized for administrative obligations	\$ 253,882
Total RPTTF authorized for obligations	\$ 12,823,727
ROPS 14-15B prior period adjustment	(237,839)
Total RPTTF approved for distribution	\$ 12,585,888

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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Barbara Collins, Housing Manager, City of Santa Monica
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County