



March 16, 2016

Mr. Jacob Rahn, Financial Services Officer
City of San Clemente
100 Avenida Presidio
San Clemente, CA 92672

Dear Mr. Rahn:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Clemente Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 25, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 3 – City of San Clemente (City) Loan repayments totaling \$350,000 for the ROPS 16-17 period have been adjusted. HSC section 34191.4 (b) (3) (A) allows 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 Orange County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are \$1,759,572 and \$2,049,136, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is \$144,782. Therefore, the excess \$205,218 (\$350,000 - \$144,782), is not allowed. The Agency may be eligible for additional funding on subsequent ROPS.

- The Agency's claimed administrative costs exceed the allowance by \$192,935. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed Redevelopment Property Tax Trust Funds (RPTTF) in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF. This amount is further reduced by the Agency's ACA and any loan repayments made to the City.

As a result, the Agency is eligible for zero in ACA for the fiscal year 2016-17. Although \$192,935 is claimed for the ACA, zero is available pursuant to the cap. Therefore, \$192,935 of excess ACA is not allowed.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any

items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 3 – City Loan repayment in the amount of \$18,808. The Agency is approved for a maximum repayment amount of \$144,782 from RPTTF; however, Finance is reclassifying \$18,808 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$18,808 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$125,974 and the use of Other Funds in the amount of \$18,808, totaling \$144,782.

The Agency's maximum approved RPTTF distribution for the reporting period is \$125,974 as summarized in the Approved RPTTF Distribution table on page 4 (see Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for

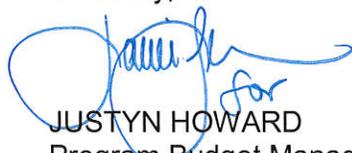
future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to

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 Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Sandee Chiswick, Senior Accountant, City of San Clemente
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 155,000	\$ 195,000	\$ 350,000
Requested Administrative RPTTF	96,467	96,468	192,935
Total RPTTF requested for obligations on ROPS 16-17	251,467	291,468	\$ 542,935
Total RPTTF Requested	155,000	195,000	350,000
<u>Denied Item</u>			
Item No. 3	(10,218)	(195,000)	(205,218)
<u>Reclassified Item</u>			
Item No. 3	(18,808)	0	(18,808)
Total RPTTF authorized	125,974	0	\$ 125,974
Total Administrative RPTTF requested	96,467	96,468	192,935
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	(96,467)	(96,468)	(192,935)
Total Administrative RPTTF authorized	0	0	0
Total RPTTF approved for distribution	125,974	0	\$ 125,974

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 385,870
Less sponsoring entity loan and Administrative RPTTF	385,870
Actual RPTTF distributed for 2015-16 after adjustment	0
Administrative Cap for 2016-17 per HSC section 34171 (b)	0
ROPS 16-17 Administrative RPTTF after Finance adjustments	192,935
Administrative Cost Allowance in excess of the cap	\$ (192,935)