DEPARTMENT OF FINANCE

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May 17, 2016

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

Dear Ms. Hurst:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 31, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Coronado Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 26, 2016. Finance issued a ROPS determination letter on March 31, 2016. 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 12, 2016.

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.

- The claimed administrative costs exceed the allowance by $79,338. Finance continues to maintain that the request exceeds the allowance. During the Meet and Confer process, the Agency requested additional explanation on the adjustments made to the administrative cost calculation. HSC section 34171.4 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the *preceding* fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the *preceding* fiscal year. This calculation is also required to exclude RPTTF amounts distributed for loan repayments to the sponsoring entity and the ACA. In the previous fiscal year, the Agency was distributed RPTTF totaling $15,602,706. However, of that amount $504,738 was to repay loans between the former redevelopment agency and the City of Coronado and an additional $75,897 was related to the ACA from prior ROPS periods included on ROPS 15-16B for payment. As a result, the Agency's maximum ACA is three percent of $15,022,071 ($15,602,706 - $504,738 - $75,897), or $450,662 for the fiscal year 2016-17. Therefore, although $530,000 is claimed for administrative cost, the excess amount of $79,338 ($530,000 - $450,662) is not allowed.

  In addition, the administrative costs authorized are within the fiscal year ACA pursuant to HSC section 34171 (b) (3). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in 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 apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

The Agency also contested Item Nos. 11 through 19 during the Meet and Confer. However, pursuant to HSC section 34177 (m) (1), items that are the subject of litigation disputing Finance's previous or related determination are not eligible for meet and confer. As a result, we continue to make the following determination:

- Item Nos. 11 through 19 – The City of Coronado Loan Repayments funded from the Redevelopment Property Tax Trust Fund (RPTTF) totaling $70,309,840 is partially approved in the amount of $2,780,752. Although these items are considered enforceable obligations, Finance has determined that the amounts requested exceed the allowable payment required. Pursuant to HSC section 34171 (h), the Agency is only authorized to request the minimum amount required by the enforceable obligation for each fiscal year. According to the loan agreements, the required payments should be fully amortized over a 23-year period in equal annual installments beginning December 31, 2013. Pursuant to the terms of the agreement, Finance calculated that the total allowable repayment amount for ROPS 16-17 Item Nos. 11 through 19 is $2,780,752. See table below:

Item No.	Project Name	ROPS 16-17 Allowable Payment
11	Construction of City Hall	$493,204
12	Economic Development Loan	$83,228
13	Capital Project 2002 (GBMP)	$1,489,322
14	Two Library Expansion Loan	$76,898
15	Pool Assessment Loan	$2,572
16	Downtown Streetscape (DTEP II) Loan	$88,964
17	Lifeguard Tower Improvements Loan	$5,570
18	Capital Projects 2005 Loan	$345,090
19	Hospital OPA and Acquisition	$195,904
Total		**$2,780,752**

Although the Agency requests RPTTF funding in the amount of $70,309,840 (see table below), only $2,780,752 can be approved at this time. Therefore, $67,529,088 is not eligible for RPTTF funding.

Item No.	ROPS 16-17 Requested	ROPS 16-17 Approved	ROPS 16-17 Not Allowed
11	$12,470,390	$493,204	$11,977,186
12	$2,104,392	$83,228	$2,021,164
13	$37,656,698	$1,489,322	$36,167,376
14	$1,944,340	$76,898	$1,867,442
15	$65,031	$2,572	$62,459
16	$2,249,386	$88,964	$2,160,422
17	$140,848	$5,570	$135,278
18	$8,725,417	$345,090	$8,380,327
19	$4,953,338	$195,904	$4,757,434
Total	**$70,309,840**	**$2,780,752**	**$67,529,088**

In addition, per Finance's letter dated March 31, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 64 – Hospital Acquisition Agreement as the City of Coronado in the amount of $8,033,568. Finance notes that the Agency erroneously reported the payee for Item No. 64. The intended payee for this obligation is the Coronado Hospital Foundation and not the City of Coronado; therefore, this item is approved on the condition that only the Coronado Hospital Foundation is the payee.

- Item No. 65 – Unfunded Administrative Cost from ROPS 13-14A through ROPS 15-16B in the amount of $113,193 is not allowed. The appropriate administrative cost allowance was applied to all funds, including the sequestered funds, when they were originally distributed. Therefore, the Agency's has already received all allowable administrative cost allowances.

Except for the items denied in whole and in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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. 46 – Village Theatre Property Taxes. The Agency requests $33,000 from RPTTF; however, Finance is reclassifying $6,356 to Other Funds. This item is an enforceable obligation for the ROPS 16-17. Therefore, Finance is approving $26,644 from RPTTF, $6,356 from Other Funds, totaling $33,000 for this obligation.

The Agency's maximum approved RPTTF distribution for the reporting period is $20,565,910 as summarized in the Approved RPTTF Distribution Table on page 5 (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 ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF for ROPS 15-16A and ROPS 15-16B.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

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 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

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)	$ 50,102,649	$ 37,661,236	$ 87,763,885
Requested Administrative RPTTF	265,000	265,000	$ 530,000
Total Requested RPTTF for obligations on ROPS 16-17	**$ 50,367,649**	**$ 37,926,236**	**$ 88,293,885**
Total RPTTF requested	50,102,649	37,661,236	87,763,885
Denied Items			
Item No. 11	(6,033,394)	(5,943,792)	(11,977,186)
Item No. 12	(1,018,142)	(1,003,022)	(2,021,164)
Item No. 13	(18,218,973)	(17,948,403)	(36,167,376)
Item No. 14	(940,706)	(926,736)	(1,867,442)
Item No. 15	(31,463)	(30,996)	(62,459)
Item No. 16	(1,088,292)	(1,072,130)	(2,160,422)
Item No. 17	(68,145)	(67,133)	(135,278)
Item No. 18	(4,221,510)	(4,158,817)	(8,380,327)
Item No. 19	(2,396,512)	(2,360,922)	(4,757,434)
Item No. 65	(113,193)	0	(113,193)
	(34,130,330)	(33,511,951)	(67,642,281)
Reclassified Item			
Item No. 46	(6,356)	0	(6,356)
Total RPTTF authorized	**15,965,963**	**4,149,285**	**$ 20,115,248**
Total Administrative RPTTF requested	265,000	265,000	530,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(79,338)	(79,338)
Total Administrative RPTTF authorized	**265,000**	**185,662**	**$ 450,662**
Total RPTTF approved for distribution	**16,230,963**	**4,334,947**	**$ 20,565,910**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 15,602,706
Less sponsoring entity loan and Administrative RPTTF	580,635
Actual RPTTF distributed for 2015-16 after adjustment	15,022,071
Administrative Cap for 2016-17 per HSC section 34171 (b)	450,662
ROPS 16-17 Administrative RPTTF after Finance adjustments	530,000
Administrative Cost Allowance in excess of the cap	**$ (79,338)**