



May 17, 2016

Mr. Steve Dush, Deputy Director
City of Imperial Beach
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

Dear Mr. Dush:

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 April 7, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Imperial Beach 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 27, 2016. Finance issued a ROPS determination letter on April 7, 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 18, 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.

- Item No. 38 – Successor Housing Entity Administrative Cost Allowance (ACA) in the total outstanding amount of \$150,000 of RPTTF is not allowed. Finance continues to deny this item as no additional support was provided during the Meet and Confer. We note that this item was previously denied in the January through June 2015 ROPS (ROPS 14-15B) and has continued to be denied through the subsequent ROPS. In addition, this denial has been upheld in the subsequent Meet and Confers.

Finance maintains that pursuant to HSC section 34171 (p) (1), the housing successor is eligible for administrative cost allowance only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Imperial Beach (City) is the City-formed Housing Authority (Authority), and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for housing successor administrative allowance.

- Item No. 40 – Unpaid Housing ACA in the total outstanding amount of \$225,000 of RPTTF is not allowed. Finance continues to deny this item. The Agency did not provide additional information during the Meet and Confer. Therefore, as previously determined,

Item No. 38, Successor Housing Entity ACA, has been requested by the Agency since the ROPS 14-15B. Finance has denied authorization for this obligation and upheld during the Meet and Confer process since the ROPS 14-15B. Finance continues to deny the Agency's request on the current ROPS. Therefore, as the underlying request for authorization is denied, all requests for historical funding are also denied.

In addition, per Finance's letter dated April 7, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 2 – 2010 Tax Allocation Bonds (TAB) in the amount of \$768,353 is reclassified from Reserve Balance to Redevelopment Property Tax Trust Fund (RPTTF). The Agency requested \$768,353 in Reserve Balances for the ROPS 16-17B period; however, Finance is reclassifying \$768,353 to RPTTF. As a result of the denial of Item No. 4 described in the bullet below, Reserve Balances will not be available to fund this obligation in the ROPS 16-17B period. Therefore, Finance is approving RPTTF in the amount of \$768,353 for the ROPS 16-17B period.
- Item No. 4 – 2010 TAB Reserve in the amount of \$768,353 in the ROPS 16-17A period is denied. It is our understanding that the Agency requested RPTTF for debt service reserves in the amount of \$768,353 during the ROPS 16-17A period. However, the request to fund payments due for the first half of the calendar year is not allowed pursuant to HSC section 34171 (d) (1) (A). Therefore, \$768,353 requested for the ROPS 16-17A period is not allowed.
- Item No. 36 – 2013 Tax Allocation Refunding Bonds (TARB), Series A in the amount of \$540,231 is reclassified from Reserve Balance to RPTTF. The Agency requested \$540,231 in Reserve Balances for the ROPS 16-17B period; however, Finance is reclassifying \$540,231 to RPTTF. As a result of the denial of Item No. 37 described in the bullet below, Reserve Balances will not be available to fund this obligation in the ROPS 16-17B period. Therefore, Finance is approving RPTTF in the amount of \$540,231 for the ROPS 16-17B period.
- Item No. 37 – 2013 TARB, Series A Reserve in the amount of \$540,231 in the ROPS 16-17A period is denied. It is our understanding that the Agency requested RPTTF for debt service reserves in the amount of \$540,231 during the ROPS 16-17A period. However,

the request to fund payments due for the first half of the calendar year is not allowed pursuant to HSC section 34171 (d) (1) (A). Therefore, \$540,231 requested for the ROPS 16-17A period is not allowed.

Except for the items denied in whole or in part or the items that have been adjusted, 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 (I) (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. 14 – Pier South Hotel Project Requirements in the amount of 15,000. The Agency requests \$15,000 of RPTTF; however, Finance is reclassifying \$3,447 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 \$3,447 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$11,553, and the use of Other Funds in the amount of \$3,447, totaling \$15,000 for the July 1, 2016 through December 31, 2016 (ROPS A period).

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,173,388 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the 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 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>

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 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 Evelyn Sues, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Andy Hall, Executive Director, City of Imperial Beach
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)	\$ 3,213,270	\$ 1,088,565	\$ 4,301,835
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	3,338,270	1,213,565	\$ 4,551,835
Total RPTTF requested	3,213,270	1,088,565	4,301,835
<u>Denied Items</u>			
Item No. 4	(768,353)	0	(768,353)
Item No. 37	(540,231)	0	(540,231)
Item No. 38	(75,000)	(75,000)	(150,000)
Item No. 40	(225,000)	0	(225,000)
	<u>(1,608,584)</u>	<u>(75,000)</u>	<u>(1,683,584)</u>
<u>Reclassified Items</u>			
Item No. 2	0	768,353	768,353
Item No. 14	(3,447)	0	(3,447)
Item No. 36	0	540,231	540,231
	<u>(3,447)</u>	<u>1,308,584</u>	<u>1,305,137</u>
Total RPTTF authorized	1,601,239	2,322,149	\$ 3,923,388
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,726,239	2,447,149	\$ 4,173,388