



October 10, 2012

Ms. Laura Rocha, Finance Director
City of San Marcos
1 Civic Center Drive
San Marcos, CA 92069

Dear Ms. Rocha:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Marcos (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 27, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which included obtaining clarification for items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligation(s):

- Item Nos. 4, 5, 6, 29, 30, and 31 – 2001 Revenue Bonds in the amount of \$66.3 million and related Trustee Fess in the amount of \$57,580. Although these items are enforceable obligations, they are not payable with Redevelopment Property Tax Trust Fund (RPTTF) money. The documents provided by the Agency state the funding source to repay the bond costs are lease payments. The underlying asset is leased to the City of San Marcos (City) from the Agency. The amounts due from the City in lease payments exceed the bond payments and maintenance costs. Therefore, these items should be paid from Agency lease revenue funds and not RPTTF.
- Item Nos. 44, 45, 46, and 47 – ERAF and SERAF loan payments in the amount of \$24.7 million. HSC section 34176 (e) (6) (B), states that loan repayments shall not be made prior to the 2013-2014 fiscal year. Therefore, these items are not eligible for funding at this time.
- Item Nos. 68, 69, and 70 – Various improvement projects in the amount of \$2.6 million. The Agency did not provide documents to establish the items as enforceable obligations. Therefore, bond funding is not approved for these items. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.
- Item Nos. 75, 76, 78, 85, and 96 – Various projects in the amount of \$7.4 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011 and therefore, not eligible for bond funding at this time. Upon receiving a Finding of Completion from Finance, these items may become

enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

- Item No. 101 – Residences at Creekside/DDA in the amount of \$11.9 million. HSC section 34163 (b) prohibits the Agency from entering into a contract with any entity after June 27, 2011. The contract was signed on June 28, 2011; therefore, the contract is void and not eligible for bond funding. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.
- Items Nos. 104, 105, 106, 108, and 109 in the amount of \$278,037 are identified as obligations of the successor housing entity. HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of San Marcos assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.
- Item No. 110 – Leitch-Grab-Papineau Judgment in the amount of \$25.4 million. This judgment is not an enforceable obligation because there are no longer “taxes...allocated to the Agency pursuant to Health and Safety Code section 33670”. These taxes were the basis of the percentage set-aside required in the judgment to fund low and moderate income housing. Because the requirement to set-aside funds for the low and moderate income housing fund has been repealed, there are no taxes available to make a judgment payment. In effect, the judgment is no longer payable.
- Administrative costs funded by RPTTF exceed the allowance by \$310,018. HSC section 34171 (b) limits administrative costs to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Three percent of the property tax allocated in fiscal year 2012-13 is \$484,508. Therefore, \$310,018 of the claimed \$794,526 is not an enforceable obligation.

Except for item(s) denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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:

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

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$12,315,532 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 14,153,582
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 4	679,737
Item 5	424,836
Item 6	594,770
Item 44	49,500
Item 45	63,947
Item 46	49,069
Item 47	130,821
Item 104	4,375
Item 105	45,000
Item 106	17,668
Item 108	1,835
Item 109	30,000
Item 110	231,000
Total approved RPTTF for enforceable obligations	\$ 11,831,024
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	484,508
Total RPTTF approved:	\$ 12,315,532
Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 4,319,257
Total RPTTF for the period January through June 2013	11,831,024
Total RPTTF for fiscal year 2012-13:	\$ 16,150,281
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	484,508
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 484,508

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

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Please direct inquiries to Robert Scott, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Lydia Romero, Deputy City Manager, City of San Marcos
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego