



October 13, 2012

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

Dear Ms. Hurst:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Coronado Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various 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 obligations:

- Item No. 11 through 19 totaling \$60.9 million are for loans between the City and the redevelopment agency. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, these items are not enforceable obligations at this time. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item No. 20 and 21 totaling \$2.4 million are for payments to the Coronado Hospital Foundation related to fiscal years 2009-10 and 2010-11. Requesting funds to reimburse obligations of the former Redevelopment Agency for a period that occurred prior to the dissolution of redevelopment is not an enforceable obligation. HSC section 34177 (l) (3) indicates the ROPS should be forward looking to the next six months. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 32, 33, and 39 totaling \$11.4 million 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 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 funding.

- Item No. 40 in the amount of \$1.4 million is for a contract between the City of Coronado and the Agency. HSC 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations.
- Item No. 41 in the amount of \$180,000 to rehabilitate affordable housing units is not enforceable. 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 related to this item have not been awarded. 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. 45 in the amount of \$2.4 million related to the July 2012 True-Up demand payment. The July 2012 True-Up process was to collect residual pass-through payments owed to the affected taxing entities for the January through June 2012 period, not to cause shortfalls in funding for the July through December 2011 period expenses. Additionally, this Item No. does not meet the definition of an enforceable obligation as identified in HSC section 34171 (d). Therefore, this item is not an enforceable obligation and not eligible for funding.
- Claimed administrative costs exceed the allowance by \$330,585. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$316,515 for administrative expenses. It is our understanding that no administrative costs were distributed for the July through December 2012 period, thus leaving \$316,515 available for the January through June 2013 period. Although only \$291,000 is claimed for administrative costs, Item No. 27, 31, 37, 38, and 42 totaling \$356,100 are considered administrative expenses and should be counted toward the cap. Therefore, \$330,585 of excess administrative cost is not allowed.

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 below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is: \$3,672,771 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 6,147,003
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 20	367,607
Item 21	2,000,000
Item 27*	10,000
Item 31*	321,000
Item 37*	10,100
Item 38*	5,000
Item 39	67,040
Item 42*	10,000
Total approved RPTTF for enforceable obligations	\$ 3,356,256
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	316,515
<b>Total RPTTF approved:</b>	<b>\$ 3,672,771</b>
* Reclassified as Administrative Costs	
<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 7,194,258
Total RPTTF for the period January through June 2013	3,356,256
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 10,550,514</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	316,515
Administrative allowance for the period of July through December 2012	0
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 316,515</b>

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. Rhonda Huth, Senior Management Analyst, City of Coronado  
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County