DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 18, 2012

Ms. Michelle Skaggs, Deputy City Manager
City of Oceanside
300 N. Coast Highway
Oceanside, CA 92054

Dear Ms. Skaggs:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 20, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oceanside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 5, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 20, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 8, 2012.

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 items being disputed.

- Items Nos. 22, 23, and 33 through 35 are for project improvements totaling $4.2 million using stranded bond proceeds. Finance no longer objects to Items 22, 33, and 35; however, Finance continues to deny Items 23 and 34 at this time. Finance denied the items as the contracts are signed by the City of Oceanside (City), not the redevelopment agency (RDA). Documentation was not provided to support that the Agency is obligated to pay these contracts. As the former RDA is neither a party to the contract nor responsible for contract payment, these line items are not enforceable obligations and are not eligible for funding on this ROPS.

    - The Agency contends Items 22, 33, and 35 are enforceable obligations because these are staff costs for various project management activities. Staff costs associated with specific project activities are enforceable obligations per HSC section 34171. Therefore, the items are enforceable obligations.

    - The Agency contends Items 23 and 34 are enforceable obligations because contracts exist prior to June 27, 2011. However, the contracts were entered into by the City and third parties. Since the former RDA is not a party to the agreements, the items are not enforceable obligations. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of

completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- Items Nos. 36 and 37 are for a parking structure using $8.0 million of stranded bond proceeds. Finance denied the items as there are no contracts in place to support these expenditures. The Agency requested further clarification for the use of stranded bond proceeds. Successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a Finding of Completion is received from Finance per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $1,367,982 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	1,117,982
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		250,000
Total RPTTF approved:	$	1,367,982

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego County
California State Controller's Office