



December 18, 2012

Mr. David Ott, City Manager  
City of Solana Beach  
635 South Highway 101  
Solana Beach, CA 92075

Dear Mr. Ott:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Solana Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. Subsequently, the Agency requested a Meet and Confer session on one of the items denied by Finance. The Meet and Confer session was held on October 31, 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 item being disputed.

- Item 13 for a city loan totaling \$278,215. Finance no longer objects to the Item. Finance originally denied this Item because HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. However, upon review of additional information provided by the Agency, this loan was entered into for the sole purpose of paying approved enforceable obligations during a period in which the Agency received insufficient Redevelopment Property Tax Trust Fund (RPTTF) funding. This type of loan agreement is allowed under HSC section 34173 (h). Therefore, this Item is an enforceable obligation and is eligible for RPTTF funding.
- Item No. 14 - Oversight Board Legal Counsel. Finance continues to reclassify this item as administrative costs counting towards the administrative cost cap. HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, Item 14 relates to general legal representation for the oversight board and not specifically to bring or contest a legal action in court; therefore, it is considered an administrative cost.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$795,066 as summarized below:

| <b>Approved RPTTF Distribution Amount</b>   |                   |
|---|-------------------|
| <b>For the period of January through June 2013</b>  |                   |
| Total RPTTF funding requested for obligations   | \$ 670,066        |
| Less: Six-month total for item(s) denied or reclassified as administrative cost<br>Item 14* | 20,000            |
| Total approved RPTTF for enforceable obligations  | \$ 650,066        |
| Plus: Allowable RPTTF distribution for administrative cost for ROPS III                     | 145,000           |
| <b>Total RPTTF approved:</b>  | <b>\$ 795,066</b> |

\* Reclassified as an administrative cost

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Marie Marron Berkuti, Finance Manager, City of Solana Beach  
Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego County  
Ms. Nenita DeJesus, Senior Accountant, San Diego County  
California State Controller's Office