DEPARTMENT OF FINANCE

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May 17, 2013

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

Dear Ms. Hurst:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 22, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Coronado Successor Agency (Agency) submitted ROPS 13-14A Finance on March 13, 2013 for the period of July through December 2013. 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 May 1, 2013.

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 Nos. 47 and 48 – Cooperation Agreement with City of Coronado and Coronado Unified School District totaling $630,461. Finance continues to reclassify the funding sources for these two items as Redevelopment Property Tax Trust Fund (RPTTF). Finance's letter dated May 5, 2013 related to Agency's Other Funds and Accounts Due Diligence Review continued to deny the Agency's request to retain funds beyond the fiscal year 2012-13 for enforceable obligations. Specifically, the Agency requested to retain $5,513,460 in Other Funds and Accounts but was authorized to retain a total of $885,902 through the July-December 2012 ROPS period (ROPS II). The Agency will not have "Reserve" funds to satisfy these obligations on future ROPS since the difference of $4,627,558 ($5,513,460-$885,902) would need to be submitted to the taxing entities. Therefore, the Agency can request RPTTF funding on future ROPS.

  Should a deficit occur in the future, HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city pursuant to HSC section 34173 or subordinating pass-through payments pursuant to HSC section 34183 (b). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation if a deficiency were to occur.

- Item Nos. 27 and 42 totaling $15,000 were considered general administrative costs and had been reclassified.

- The Agency contends that item 27, legal services expenditure in the amount of $5,000, is project cost associated with the implementation of the Owner Participation Agreement (OPA) between the former redevelopment agency and Coronado Hospital Foundation. However, the Legal Services Agreement's scope does not clearly identify implementation costs for the OPA and only references the General Counsel Services and Authorization, Issuance and Sale of Bond Services. Therefore, Finance continues to reclassify this item as general administrative cost.

- The Agency also disputed that item 42, legal counsel costs for the Oversight Board (OB), is statutorily required per HSC section 34179 (c) and should not be considered general administrative cost of the Successor Agency. Pursuant to HSC section 34179 (c), the OB is permitted to direct the staff of the Agency to perform work in furtherance of the OB's duties and responsibilities, and the costs of the oversight board meetings may be included in Agency's administrative. However, for legal costs to be considered enforceable obligation (EO) and eligible for RPTTF funding, they need to be part of EO's defined in HSC section 34171 (d) (1). Since Agency could not provide documentation to demonstrate these costs are part of the EOs, the OB legal support costs remain reclassified as an Agency administrative cost.

Although this reclassification increased administrative costs to $255,000, the administrative cost allowance has not been exceeded.

Except for items adjusted in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $14,507,479 as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	13,637,018
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 27*		5,000
Item 42*		10,000
Plus: Reserves reclassified as RPTTF		
Item 47		219,767
Item 48		410,694
Total approved RPTTF for enforceable obligations	$	14,252,479
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		255,000
Minus: ROPS II prior period adjustment		-
Total RPTTF approved for distribution:	**$**	**14,507,479**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Todd Vermillion, 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, County of San Diego
California State Controller's Office