



April 18, 2013

Ms. Carolyn Galloway-Cooper, Finance Director
City of Guadalupe Successor Agency
918 Obispo Street
Guadalupe, CA 93434

Dear Ms. Galloway-Cooper:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Guadalupe Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 5, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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. 24 – Unfunded ROPS II (July through December 2012) administrative costs in the amount of \$122,417 is partially denied. Although the Agency requests \$122,417 for unfunded ROPS II administrative costs, HSC section 34171 (b) limits the Agency to receiving \$65,000.

HSC section 34171 (b) limits a successor agency's fiscal year administrative allowance to 3% of total RPTTF allocated to the agency or \$250,000, whichever is greater. The County Auditor-Controller did not distribute RPTTF for Finance-approved administrative costs totaling \$122,417 for the ROPS II period. However, the Agency received \$185,000 for administrative costs for the ROPS III period, January through June 2013. For fiscal year 2012-13 the Agency's administrative allowance is capped at \$250,000. Therefore, the Agency is limited to receiving \$65,000 in RPTTF for unfunded administrative expenses for fiscal year 2012-13. Therefore, the excess amount of \$57,417 is not eligible for funding on this ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate "oversight" when evaluating the administrative resources required to successfully wind-down the Agency.

Except for items denied 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 \$203,209 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 399,807
Minus: Six-month total for items denied or reclassified as administrative cost Item No. 24	\$ 57,417
Total approved RPTTF for enforceable obligations	\$ 342,390
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(264,181)
Total RPTTF approved for distribution:	\$ 203,209

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

The Agency self-reported estimated obligations funded by RPTTF for the ROPS II period in the amount of \$533,948. The CAC reported a distribution of \$536,377 for the ROPS II period. Therefore, the Agency's self-reported prior period adjustment was increased by \$2,429, the difference between the Agency's estimate and the actual CAC distribution for ROPS II.

To the extent underfunded or unfunded items represent enforceable obligations; the Agency should request funding for those items in a future ROPS.

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 Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Juana Merino-Escobar, Administrative Assistant, City of Guadalupe
Mr. Ed Price, Division Chief Property Tax Division, County of Santa Barbara
California State Controller's Office