



May 17, 2013

Mr. Gregory Wade, Deputy Director
City of Imperial Beach
825 Imperial Beach Boulevard
Imperial Beach, CA 91932

Dear Mr. Wade:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated March 29, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Imperial Beach Successor Agency (Agency) submitted ROPS 13-14A Finance 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 April 30, 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.

- Prior period adjustment in the amount of \$757,581. During the Meet and Confer process, the Agency contested the prior period adjustment to be made by the County Auditor Controller for the July through December 2012 ROPS (ROPS II) period pursuant to HSC section 34186 (a). The Agency requested to decrease the prior period adjustment in the amount of \$757,581. Based on further review during the Meet and Confer process, we recommend the Agency be allowed to retain \$747,238 (\$285,123 + \$372,115 + \$90,000), as further discussed below. Accordingly, we recommend the CAC make a prior period adjustment in the amount of \$10,343 (\$757,581 - \$747,238) for the ROPS II period.
 - The Agency requested a reduction in the prior period adjustment in the amount of \$285,123 (\$206,744 + \$58,379 + \$20,000) for items approved but not expended in the Recognized Obligation Payment Schedule (ROPS) for the ROPS January through June 2012 (ROPS I) period, but were expended during the ROPS for the July through December 2012 (ROPS II) period. Our review indicates that the Agency was approved for ROPS I page 4 item 52 in the amount of \$206,744, page 4 item 50 in the amount of 58,379, and page 3 item 11 in the amount of \$20,000, but were unpaid during the ROPS I period. Due to the timing of ROPS I and ROPS II and the simultaneous submittals, the \$285,123 was not included on the ROPS II form; therefore, the prior period adjustment will be decreased by \$285,123 to cover the ROPS I expenditures that were paid after June 30, 2012.

Finance notes that amounts requested and approved in a ROPS are effective only for the six-month period covered. To the extent the Agency does not expend funds approved and received on a ROPS until a subsequent period, the Agency should re-list the unexpended amounts that need to be retained for those enforceable obligations on the subsequent ROPS with the funding source as "Reserves" or "Other" and an entry in the Notes section indicating the funds were received in a prior ROPS period.

- The Agency requested a reduction in the prior period adjustment in the amount of \$372,115 for the ROPS I period. Our review indicates that the Agency remitted this amount to the CAC as part of the July 2012 True-up. However, these funds were approved on the ROPS I for enforceable obligations and should not have been included in the True-up amount. Because the funds are no longer available, we recommend the CAC decrease the prior period adjustment by \$372,115.
- The Agency requested a reduction in the prior period adjustment in the amount of \$90,000 for an item approved on ROPS II to be paid with Low and Moderate Housing Funds (LMIHF), but were paid with RPTTF. Our review indicates that the result of having to pay the July 2012 True-up as well as other ROPS I approved items, the agency used all liquid funds that were available, including LMIHF. As a result, the Agency used RPTTF to satisfy a payment although this item as approved to expend LMIHF. Therefore, the expenditure of \$90,000 in RPTTF for this item was disallowed. As such, we recommend the CAC decrease the prior period adjustment by \$90,000.

Finance notes that HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS. However, HSC section 34177 (a) (4) goes on to state that with prior approval from the oversight board, the successor agency can make payments for enforceable obligations from sources other than those listed in the ROPS. In the future, the Agency should obtain prior oversight board approval when making payments for enforceable obligations from a funding source other than those approved by Finance.

- The Agency requested a reduction in the prior period adjustment in the amount of \$10,343 for litigation costs. HSC section 34171 (b) allows litigation expenses to be excluded from the administrative cost allowances; however, our review indicates that this obligation has not been listed or approved on any ROPS. HSC section 34177 (a) (3) allows only obligations listed in the ROPS to be paid. Therefore, these litigation costs are not an enforceable obligation at this time, but may become an enforceable obligation once placed on future ROPS. As such, we recommend the CAC make a prior period adjustment in the amount of \$10,343.

Based upon our further review and the discussion above, Finance recommends that the San Diego CAC adjust the amount of the ROPS II prior period adjustment from \$757,581 to \$10,343.

- Item No. 20 – 9th and Palm Tenant Relocation in the amount of \$203,530. The Agency claims this item was approved on ROPS I (Page 4, Item No. 51), but the obligation was

unfunded in this period. Due to the timing of ROPS I and ROPS II submittals, the item was not relisted; however the fund had been spent. Finance concurs with the Agency; therefore, the Agency is approved to receive RPTTF funding for this item during the ROPS 13-14A period.

In addition, per Finance's ROPS letter dated March 29, 2013, the following items continue to be denied and were not contested by the Agency:

- Item Nos. 13, 15 and 19 totaling \$101,800 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to \$226,800, the administrative cost allowance has not been exceeded.

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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is: \$3,265,673 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,127,816
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 13*	80,000
Item 15*	1,800
Item 19*	20,000
Total approved RPTTF for enforceable obligations	\$ 3,026,016
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	(10,343)
Total RPTTF approved for distribution:	\$ 3,265,673

*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/

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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 Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Gary Brown, Executive Director, City of Imperial Beach
Mr. Jon Baker, Senior Auditor and Controller Manager, County of San Diego
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, County of San Diego
California State Controller's Office