



May 17, 2013

Ms. Laura Rocha, Finance Director
City of San Marcos
1 Civic Center Drive
San Marcos, CA 92069

Dear Ms. Rocha:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Successor Agency of the former San Marcos Redevelopment Agency (Agency) submitted ROPS 13-14A to Finance on March 1, 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 April 25, 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 items being disputed.

- Contracts totaling \$17,676,753 include the following:
 - Item No. 67 – Discovery Street Flood Wall
 - Item No. 71 – South Lake Community Park
 - Item No. 73 – San Marcos Elementary School
 - Item No. 74 – Rail Trail (Phase 2)
 - Item No. 80 – Grand Avenue/San Marcos Blvd./Creekside Marketplace Circulation Improvements
 - Item No. 81 – San Marcos High School Frontage at Knight's Realm Intersection
 - Item No. 86 – Barham Drive Widening
 - Item No. 87 – South Santa Fe – Smilax to Bosstick
 - Item No. 88 – Downtown Promenade and Greenway
 - Item No. 90 – Rancho Coronado Infrastructure Improvements
 - Item No. 93 – Land Acquisition for Park Development
 - Item No. 94 – Channel Widening South of Grand Ave.
 - Item No. 98 – Creek Environmental Habitat Establishment and Mitigation
 - Item No. 99 – San Marcos Creek Specific Plan – Creekside Drive Improvements

Finance no longer objects to these items. Subsequent to the Meet and Confer session, the Agency received a Finding of Completion from Finance on May 1, 2013. Therefore,

the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c). As such, these items are eligible for expenditure on the ROPS 13-14A, as originally requested.

- Item No. 111 – Replacement Housing in the amount of \$7,008,000. Finance initially denied this item pursuant to HSC section 34176 (a) (1) which states, if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by the RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the duties associated with these functions are now responsibility of the City as the housing successor.

The Agency contends that there are no other funding sources available for use towards this item, which is an enforceable obligation of the Agency pursuant to HSC section 34177 (d)(1)(C). Exclusive Negotiating Agreements (ENA) were provided during the meet and confer process to demonstrate the current status of anticipated projects. Finance considers the ENAs as statements of intent to initiate a project, which are not considered sufficient documentation to establish the item as an enforceable obligation. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund funding.

In addition, since the above disputed items are not modified, the administrative cost allowed remains the same.

- Claimed administrative costs exceed the allowance by \$94,887. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$407,531. Therefore, \$94,887 of the claimed \$502,418 is not an enforceable obligation.

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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$13,991,889 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 20,592,358
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 111	\$ 7,008,000
Total approved RPTTF for enforceable obligations	\$ 13,584,358
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	407,531
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 13,991,889

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/](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.

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Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Lydia Romero, Deputy City Manager, City of San Marcos
Mr. Juan Perez, Senior Auditor and Controller Manager, County of San Diego
California State Controller's Office