



April 14, 2014

Ms. Daphne Hodgson, Deputy City Manager-Administrative Services
City of Seaside
440 Harcourt Avenue
Seaside, CA 93955

Dear Ms. Hodgson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Seaside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item Nos. 8 and 9 – West Broadway Urban Village/Library totaling \$5,411,548; \$1,232,065 from Redevelopment Property Tax Trust Funds (RPTTF) and \$500,000 from Bond Proceeds. Finance continues to deny these items; these items were denied as inclusions to the ROPS for the period July through December 2013 (ROPS 13-14A) and January through June 2014 (ROPS 13-14B). Although the Agency received a Finding of Completion from Finance on March 28, 2014, it is our understanding that contracts for these line items have not yet been awarded. HSC section 34163(b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. Therefore, these items are not enforceable obligations and are not eligible for RPTTF and Bond Proceeds funding on the ROPS.
- Item No. 35 – Development and Disposition Agreement Amendment in the amount of \$20,000 is not an enforceable obligation. The Agency was unable to provide documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as a reimbursement agreement, the Agency may be able to obtain Other Funds on future ROPS.
- Item Nos. 36 through 38 – Unfunded Prior-year Pass-Through Payment Obligations totaling \$366,785. The Agency provided Memorandum prepared by a consultant to support the requested amount. However, the Agency has not shown that the requested payments are binding. Therefore, these items are not eligible for funding on this ROPS.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to

HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances in the amount of \$300,000 and Other Funds in the amount of \$255,459 totaling \$555,459.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and Other Funds and in the amounts specified below:

- Item No. 4 – Loan to fund housing project in the amount of \$3,515,109. The Agency requests \$300,000 of RPTTF; however, Finance is reclassifying \$300,000 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$300,000 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$300,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies 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 table below only includes the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 (RPTTF) distribution for the reporting period is \$2,181,878 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	3,989,400
Total RPTTF requested for administrative obligations	125,149
Total RPTTF requested for obligations	\$ 4,114,549
Total RPTTF requested for non-administrative obligations	3,989,400
<u>Denied Items</u>	
Item No. 8	(1,232,065)
Item No. 36	(38,769)
Item No. 37	(282,314)
Item No. 38	(45,702)
Total RPTTF for non-administrative obligations	2,390,550
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 4	(300,000)
	(300,000)
Total RPTTF authorized for non-administrative obligations	\$ 2,090,550
Total RPTTF requested for administrative obligations	125,149
Total RPTTF authorized for administrative obligations	\$ 125,149
Total RPTTF authorized for obligations	\$ 2,215,699
ROPS 13-14A prior period adjustment	(33,821)
Total RPTTF approved for distribution	\$ 2,181,878

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Lisa Brinton, Redevelopment Project Manager, City of Seaside
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office