DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 11, 2012

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

Dear Ms. Hurst:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Coronado Community Development (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 27, 2012 for the period July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Item Nos. 11 and 12 on page 1 and Item No. 33 on page 2 – Loans from the City to the former redevelopment agency (RDA) for $69.4 million. The Loan Agreements are dated March 21, 2006, July 1, 2008, and September 7, 1999, respectively. HSC section 34171(d) (2) states that agreements, contracts or arrangements between the entity that created the RDA and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1985. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, these loans are not enforceable.

- Item No. 20 on page 1 – Cooperative agreement between the City, former RDA, and school district for $2.6 million. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for projects were not awarded prior to June 28, 2011.

- Administrative expenses of $24,950 (see Attachment A). The HSC section 34171 (b) limits the fiscal year 2011-12 administrative cost allowance to three percent of the property tax allocated to the successor agency or $250,000, whichever is greater. Therefore, $24,950 of the claimed $321,000 is not allowed.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Department of Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,

Mark Hill

MARK HILL
Program Budget Manager

cc: Rhonda Huth, Senior Management Analyst, City of Coronado
Blair King, City Manager, City of Coronado
Janet Coon, Administrative Secretary, City of Coronado
Juan Perez, Senior Auditor and Controller Manager, San Diego County
Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego County

Attachment A

Administrative Cost Calculation
For the period July - December 2012

Allowable Administrative Costs	
Total RPTTF Funding (per Form C)	**$11,931,301**
Less: Administrative costs claimed (Item 22 on page 2)	321,000
Less: Items denied (Item 20 on page 1 and items 23 through 32 on page 2)	1,741,954
Total funded from RPTTF :	9,868,347
3% of tax allocation:	296,050
Allowable Administrative Costs (Greater **of 3% or** $250,000):	$296,050

Item Qualifying as Administrative Costs			
Page	**Item**	**Description**	**Amount claimed**
2	22	Successor Agency Administrative Expenses	321,000
		Total Claimed:	321,000
		Less Allowable Administrative Cap:	296,050
		Administrative Amount Disallowed:	$24,950