



## CITY OF CORONADO

1825 STRAND WAY  
CORONADO, CA 92118

OFFICE OF CITY MANAGER  
(619) 522-7335  
FAX (619) 522-7846

June 5, 2012

Via email: [Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov)

Mark Hill, Program Budget Manager  
Pedro Reyes, Chief Deputy Director for Policy  
Jennifer Rockwell, Chief Counsel  
Ana Matosantos, Director  
Department of Finance  
915 L Street  
Sacramento, CA 95814-3706

Re: Recognized Obligation Payment Schedule of the Successor Agency to the Community Development Agency of the City of Coronado

Mr. Hill, Mr. Reyes, Ms. Rockwell, or Ms. Matosantos:

This letter is to address the issues raised by the Department of Finance in the letter dated May 25, 2012, concerning the Recognized Obligation Payment Schedules (“ROPS”) of the Successor Agency to the Community Development Agency of the City of Coronado for the period of January 1, 2012, to June 30, 2012, (“ROPS No. 1”) and for the period of July 1, 2012, to December 31, 2012, (“ROPS No. 2”). This letter serves as a notice of appeal of the decision to disallow line items 11 to 13 and 21 as enforceable obligations on ROPS No. 1 and notice of appeal of the decision to disallow line items 11, 12, 20 and 33 as enforceable obligations and for denial of \$12,388 of the claimed administrative expenses on ROPS No. 2. As the other line items on the ROPS were not questioned in your May 25 letter, we understand that those items have been approved by the DOF and authorization will be granted to the county auditor-controller to release funds on June 1, 2012, for payment of these enforceable obligations.

The following information supports the position that these items are enforceable obligations and that all the claimed administrative expenses are proper. Documentation regarding the disputed line items has already been provided to the Department.

- In response to your message regarding Page 1, line items 11 and 12, and Page 2, line item 33, totaling \$69.4 million,<sup>1</sup> we are providing the following information:

---

<sup>1</sup> All explanations refer to the line items on ROPS No. 2, which are the same items as those listed on ROPS No. 1 except that the Department of Finance also disputes the amount of administrative expenses in ROPS No. 2, which is not a questioned item on ROPS No. 1.



Department of Finance  
Re: Disputed ROPS Items  
June 5, 2012  
Page 2

The City of Coronado ("City") has loaned monies over time to the former Community Development Agency of the City of Coronado ("CDA") to assist in the financing of redevelopment projects that have benefited the City and its residents. Several of the older loans were consolidated into one agreement under Item No. 11, with re-payment to begin in 2013. An additional loan has been made to the CDA from the City in Item No. 12.

Specifically for Item No. 33, the loan of City General Funds (referred to as the U.S. Oceanic Loan) was made in order for the former CDA to acquire deteriorated private facilities that were held in a long-term lease. The leasehold property provides public access to the bay adjacent to the Coronado City Hall, recreation Community Center, and a bayside promenade and park. The leasehold interest was acquired so that the redevelopment of the dilapidated private facilities could be coordinated with improvements to adjacent public facilities to ensure that public access to the bay would be maintained and enhanced. The loan is to be paid back, not with tax increment, but with the income generated by the property, which consists of a restaurant and marina slip rentals and concessions.

These loans from the City to the former CDA are valid, enforceable obligations for the Successor Agency. These loan agreements were entered into prior to December 31, 2010 and only relate to the repayment of indebtedness obligations from the former CDA to the City. Accordingly, they are valid agreements under Sections 34171(d)(2) and 34178(b)(1) of the Health & Safety Code.

Furthermore, the authority upon which the Department of Finance relies for its position that these loans are not valid may run afoul of the Constitutional prohibition in Proposition 22, which states that the State Legislature cannot reallocate or restrict the use of monies that are designated for local government use. In addition, this position creates a de facto reallocation of tax revenues in violation of Proposition 1A because other taxing agencies would benefit from funds that should be returned to the City. The loan proceeds came from the City's General Fund and should be repaid to the City without interference by the State, which, if allowed, would significantly impair the City's finances.

- In response to your message regarding Page 1, line item 20 in the amount of \$2.6 million, we are providing the following information:

The enforceable obligation on which this item is based is the Agreement with the Coronado Unified School District that dates from the 1980s and was most recently amended in 2006. That



Department of Finance  
Re: Disputed ROPS Items  
June 5, 2012  
Page 3

agreement calls for the CDA (redevelopment agency) to provide \$23.3 million to fund certain listed capital improvements to Coronado Unified School District facilities. At this time, \$2.6 of that \$23.3 million commitment is still outstanding. As you can determine from the documents that we provided to you, the CUSD contracts for and project manages capital improvements to their school facilities that are funded by the former CDA (redevelopment agency in Coronado), and submits their approved invoices to the CDA (now the Successor Agency) for payment. The CDA did not enter into any contracts after June 27, 2011.

- In response to your message regarding the claimed administrative expenses on the ROPS, we provide the following response:

The ROPS included a request for \$321,000 for administrative expenses for the Successor Agency. The total enforceable obligations submitted and approved by the Oversight Board was \$11,610,301, which amount is to be funded by the RPTTF less the claimed administrative expenses. At the statutory maximum, three percent of this amount is \$348,309.03, which is greater than the submitted \$321,000. Consequently, the submitted administrative expense is proper upon approval of the disputed items, as discussed above.

I hope this clarifies the nature and timing of the agreement with the CUSD and the outstanding obligations of the former CDA. We look forward to the Department of Finance ratifying each of the items listed on the ROPS, as approved by the Oversight Board, as enforceable obligations. Please let us know if you have any other questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Blair King', with a stylized flourish at the end.

Blair King  
City Manager

BK/mlc

cc: Rachel Hurst, Director of Community Development, Redevelopment Housing Services