



December 17, 2014

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

Dear Ms. Hurst:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Coronado Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 22, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 6, 2014. 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 November 19, 2014.

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.

- Item Nos. 11 through 19 – Loan Agreements between the City of Coronado (City) and the Agency totaling \$77,946,401 are not enforceable obligations. Finance continues to deny these items. Finance denied these items because it is our understanding these loans were issued before June 27, 2011, and after the first two years of the redevelopment agency's (RDA) creation. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. These loans were issued after the first two years of the former RDA's creation and are not associated with the issuance of debt. During the Meet and Confer process, the Agency continued to object to Finance's determination; however, no new information was provided. In addition, the enforceability of these items is currently being addressed at the appellate court. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) on this ROPS.
- Claimed administrative costs exceed the allowance by \$82,175. HSC section 34171 (b) limits fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$469,825 in administrative expenses. The Agency was approved

for a City loan for administrative costs in the amount of \$275,000 for the July through December 2014 period, thus leaving a balance of \$194,825 available for the January through June 2015 period. Although \$275,000 is claimed for administrative costs, Item No. 42 for Oversight Board Legal Services in the amount of \$2,000 is considered an administrative expense and should be counted toward the cap. Therefore, \$82,175 of excess administrative cost is not allowed.

During the Meet and Confer process, the Agency objected to Finance's determination that the administrative cost allowance has been exceeded and believes Item Nos. 11 to 19 should be included in the base calculation for administrative costs for the 2014-15 fiscal year. However, because we continue to deny these items as referenced in the first bullet, no adjustment to our previous determination is necessary.

In addition, per Finance's letter dated November 6, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 25 – Coronado Hospital Payment in the amount of \$1,876,586 is partially denied. The Agency requested \$1,000,000 to cover the second half of the yearly payment due. The remaining \$876,586 was requested to cover the shortfall of RPTTF from the ROPS period from July through December 2014 (ROPS 14-15A). Not including the administrative cost allowance which was funded through a City loan, the Agency's shortfall was only \$605,691. Therefore, \$270,896 is not eligible for RPTTF at this time.
- Item No. 54 – Housing Administrative Costs in the amount of \$765,000 are not enforceable obligations. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a 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 administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF 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 Other Funds totaling \$4,571.

Therefore, the funding source for the following item have been reclassified to Other Funds and in the amount specified below:

- Item No. 8 – Bond Administration Fees in the amount of \$4,571. The Agency requests \$11,000 of RPTTF; however, Finance is reclassifying \$4,571 to Other Funds balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$4,571 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$6,429 and the use of Other Funds balances in the amount of \$4,571, totaling \$11,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. 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. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$7,038,284 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	47,192,501
Total RPTTF requested for administrative obligations	275,000
Total RPTTF requested for obligations on ROPS	\$ 47,467,501
Total RPTTF requested for non-administrative obligations	47,192,501
<u>Denied Items</u>	
Item No. 11	(7,163,453)
Item No. 12	(1,208,843)
Item No. 13	(21,631,401)
Item No. 14	(1,116,901)
Item No. 15	(37,356)
Item No. 16	(1,292,131)
Item No. 17	(80,908)
Item No. 18	(5,012,202)
Item No. 19	(2,345,380)
Item No. 25	(270,896)
Item No. 54	(183,000)
	(40,342,471)
<u>Reclassified Item</u>	
Item No. 42	(2,000)
Total RPTTF for non-administrative obligations	6,848,030
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 8	(4,571)
Total RPTTF authorized for non-administrative obligations	\$ 6,843,459
Total RPTTF requested for administrative obligations	275,000
<u>Reclassified Item</u>	
Item No. 42	2,000
Administrative costs in excess of the cap (see Admin Cost Cap table on the next page)	(82,175)
Total RPTTF authorized for administrative obligations	\$ 194,825
Total RPTTF authorized for obligations	\$ 7,038,284
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	\$ 7,038,284

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	10,213,490
Total RPTTF for 14-15B (January through June 2015)	6,848,030
Less approved unfunded obligations from prior periods	(1,400,691)
Total RPTTF for fiscal year 2014-2015	15,660,829
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	469,825
Administrative allowance for 14-15A (July through December 2014)	275,000
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	194,825
Total RPTTF administrative obligations after Finance adjustments	277,000
Administrative costs in excess of the cap	\$ (82,175)

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Rhonda Huth, Senior Management Analyst, City of Coronado
Mr. Jon Baker, Senior Auditor and Controller Manager, San Diego County
California State Controller's Office