



May 17, 2013

Mr. Matt Pressey, Finance Director
City of Salinas
200 Lincoln Avenue
Salinas, CA 93901

Dear Mr. Pressey:

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 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Salinas Successor Agency (Agency) submitted a ROPS 13-14A to Finance for on February 28, 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 item being disputed.

- Item No. 11 – Legal Defense Counsel in the amount of \$300,000. Finance continues to deny this item. During the Meet and Confer process, the Agency misunderstood Finance's April 14, 2013 letter. The Agency now concurs with the original adjustment made by Finance. It is our understanding; the Agency is responsible for half of the total expense, or \$150,000. While this item is an enforceable obligation, the total amount requested to date has exceeded the Agency's obligation by \$10,000. Therefore, Finance is adjusting the requested Redevelopment Property Tax Trust Fund (RPTTF) amount by \$10,000.

During the Meet and Confer process, the Agency requested Finance add Item No. 3 – Monterey Street Parking Garage Debt totaling \$1,090,288 onto ROPS 13-14A for the amount originally denied on ROPS III. This item was also previously denied in ROPS I and II. Finance continues to deny this item at this time. It is understood by both parties the litigation is still pending with only a proposed settlement that has not yet been drafted or finalized. Therefore, this item is not an enforceable obligation eligible for RPTTF funding at this time. To the extent the litigation is finalized, the Agency should put this item on future ROPS to be funded with RPTTF.

In addition, per Finance's ROPS letter dated April 14, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 21 – Operational Commitment to the Housing Successor Agency for CRL and Affordability Covenant Compliance costs in the amount of \$520,000. 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 redevelopment agency, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Salinas assumed the housing function, the monitoring costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item No. 22 – Operational Commitment for Affordable Housing Data Services in the amount of \$40,950. This item was previously denied by Finance as an inclusion to the January through June 2013 ROPS review in our letter dated October 9, 2012, later upheld through the Meet and Confer process in our letter dated December 18, 2012. The Agency stated this item was reapproved by the oversight board. However, no additional documentation was provided to support this item as an enforceable obligation. Therefore, this item is not eligible for funding on the ROPS.

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 \$1,782,296 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,594,696
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 11	10,000
Item 21	40,000
Item 22	12,400
Total approved RPTTF for enforceable obligations	<u>\$ 1,532,296</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>250,000</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 1,782,296

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

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.

Please direct inquiries to Kylie Le, Supervisor, or Brian Dunham, Lead Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Don Reynolds, Project Manager, City of Salinas
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office