

April 13, 2013

Ms. Adela G. Gonzalez, City Manager  
City of Soledad Successor Agency  
248 Main Street  
Soledad, CA 93960

Dear Ms. Gonzalez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Soledad Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 27, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Items Nos. 4 and 5 – Securities Servicing and Continuing Disclosure obligations totaling \$288,000. Documentation provided by the Agency indicates that the total annual fee for these line items is \$3,850. The Agency requested, and was approved to spend \$12,000 on the ROPS for the period January through June 2013, \$8,150 more than the annual requirement of \$3,850. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item No. 6 – Urban Futures in the amount of \$90,000. This obligation is considered a general administrative cost and has been reclassified. The Agency believes this item is related to wind down costs of the former redevelopment agency (RDA). However, the documentation provided indicates the contract was executed in September 2010 to support staffing shortages, well before the dissolution date. Although the reclassification increased administrative costs to \$140,000, the administrative cost allowance has not been exceeded.
- Items 8 through 10 – Passthrough Payments totaling \$117,978 payable to various taxing entities. These items are not obligations eligible for funding on the ROPS. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass-through payments starting with the July through December 2012 ROPS. Therefore, these items are not eligible for funding on the ROPS.
- Item No. 11 – Supplemental Educational Revenue Augmentation Fund payment in the amount of \$848,589. Pursuant to HSC 34191.4 (b) (2) (A), the maximum repayment

amount authorized in each fiscal year, combined with the repayment of recognized sponsoring entity loans, shall be equal to one-half of the increase between the amount distributed to the taxing entity as residual in that fiscal year, and the amount distributed to the taxing entity as residual in the 2012-13 base year. Therefore, the Agency will need to obtain the 2013-14 residual amounts in order to compute the repayment amounts. As required by HSC section 34191.4 (b) (2) (A), the 2013-14 residual amounts should be based on the actual amount, not on an estimated amount. Therefore, the 2013-14 amounts will be based on the Recognized Obligation Payment Schedule (ROPS) 13-14A and ROPS 13-14B distributions. Consequently, the Agency may be able to request funding for the housing deferred set-aside loan beginning with ROPS 14-15A.

- Item No. 12 – Reserve Funding for Bonds in the amount of \$272,500. HSC section 34171 (d) (1) (A) states that a reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Finance notes that the Agency has received sufficient RPTTF to meet its debt service obligations as they become due. Therefore, this item is not eligible for RPTTF funding on this 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. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$340,074 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 814,389
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 4	\$ 3,000
Item 5	\$ 3,000
Item 6*	\$ 15,000
Item 8	\$ 3,534
Item 9	\$ 23,215
Item 10	\$ 91,229
Item 11	\$ 84,859
Item 12	\$ 272,500
Total approved RPTTF for enforceable obligations	<u>\$ 318,052</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>140,000</u>
Minus: ROPS II prior period adjustment	<u>(117,978)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 340,074</b>

\*Reclassified as administrative cost

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%2013-14A%20Forms%20by%20Successor%20Agency/).

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.

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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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Brent Slama, Community Development Director  
Ms. Julie Aguero, Auditor Controller Analyst II, County of Monterey  
California State Controller's Office