



December 17, 2013

Mr. Jeff Crechriou, Acting Economic Development Manager
City of Marina
211 Hillcrest Avenue
Marina, CA 93933

Dear Mr. Jeff Crechriou:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 8, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Marina Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 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 November 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 items being disputed.

- Item No. 13 – Lease of Office Space. Finance continues to reclassify and include this item in the Agency's administrative cost allowance. During the Meet and Confer, the Agency provided documentation that the Agency had entered into a ten year sublease for office space occupied by staff of the former redevelopment agency (RDA). The sublease commenced on March 2006 and continues until 2016 with annual escalators. The Agency contends that the lease payments are not administrative costs and a necessary agreement for the administration and operation of the Agency in that the Agency staff is currently housed in the leased space. However, Finance notes that the lease of office space does not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

- Claimed administrative costs exceed the allowance by \$38,000. HSC section 34171 (b) limits fiscal year 2013-14 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 \$250,000 in administrative expenses. The Monterey County Auditor-Controller's Office distributed \$158,350 administrative costs for the July through December 2013 period, thus leaving a balance of \$91,650 available for the January through June 2014 period. Although \$92,900 is claimed for administrative cost, Item No. 13, Lease of Office Space in the amount of \$36,750 is considered an administrative expense and should be counted toward the cap. Therefore, \$38,000 of excess administrative cost is not allowed

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$496,578 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	765,954
Total RPTTF requested for administrative obligations	92,900
Total RPTTF requested for obligations	\$ 858,854
Total RPTTF requested for non-administrative obligations	765,954
<u>Reclassified Items</u>	
Item No. 13	(36,750)
	(36,750)
Total RPTTF approved for non-administrative obligations	729,204
Total RPTTF requested for administrative obligations	92,900
<u>Reclassified Items</u>	
Item No. 13	36,750
	36,750
Total RPTTF for administrative obligations	129,650
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	91,650
Total RPTTF approved for obligations	820,854
ROPS III prior period adjustment	(324,276)
Total RPTTF approved for distribution	\$ 496,578
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	617,675
Total RPTTF for 13-14B (January through June 2014)	729,204
Total RPTTF for fiscal year 2013-14	1,346,879
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	158,350
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	91,650

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/)

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 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 Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Layne Long, City Manager, City of Marina
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office