



REVISED

April 18, 2014

Ms. Marti Noel, Redevelopment & Housing Assistant Director
Monterey County
168 West Alisal Street, 2nd Floor
Salinas, CA 93901

Dear Ms. Noel:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Monterey County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 26, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 ROPS item has been adjusted for the reasons specified:

Item No. 10 – East Garrison Disposition and Development Agreement (DDA) in the amount of \$6,768,164 payable from Redevelopment Property Tax Trust Funds (RPTTF). The Agency requested \$300,000 for the ROPS 14-15A. This amount represents the Agency's annual obligation under the DDA and is limited to the lesser of total tax increment from the project or \$300,000. During the ROPS 13-14B period, the Agency requested, and Finance approved, \$300,000 for this item. With the Agency's concurrence, Finance has decreased the Agency's request to \$150,000 (\$300,000 - \$150,000).

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 (I) (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 Reserve Balances in excess of \$1,234,114. Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Balances, and in the amounts specified below:

Item Nos. 6, 10 through 11, 20 through 21, and 26 – Various obligations totaling \$355,029. The Agency requested a total of \$355,029 from RPTTF; however, Finance is reclassifying \$355,029 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15B period. However, the obligations do not require payment from property tax revenues and the Agency

has \$1,234,114 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$355,029 for these items.

HSC section 34177 (a) (3) states that only those payments listed in the ROPS may be made by the Agency, from the funds specified in the ROPS. Although the HSC does not permit the Agency to make payments that exceed the amounts approved by Finance, we note that the Agency's expenditures have exceeded the Finance authorization for Other Funds. Therefore, Finance is increasing the Agency's authorization for ROPS the ROPS 13-14A period to ensure the authorization is consistent with expenditures for Item No. 3, in the amount of \$2,355,369, payable from Other Funds. This is for informational purposes and will not affect your ROPS 14-15A spending authority. HSC sections 34177 (a) (4) and 34173 (h) provide alternative mechanisms when Agency payments exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is achieved prior to making payments on enforceable obligations.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency; with corrected column totals on the Report of Prior Period Adjustments (PPA). As a result, the Agency's self-reported PPA increased by \$96,616 to \$1,112,648 (\$1,016,032+ \$96,616).

The amount of RPTTF approved in the table below includes excess prior period adjustment (PPA) of \$512,648. The current approved RPTTF is insufficient to allow for the PPA of \$1,112,648 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Finance notes the Agency reported an expenditure of \$350,000 for line Item No. 14 – Litigation, on the ROPS 13-14A PPA; however, this item was not approved for payment during the ROPS 13-14A period. Therefore, Finance has removed the reported expenditure from the PPA. We note that previous review of this item determined it would be an enforceable obligation when a settlement had been reached. That settlement was reached on July 11, 2013 requiring the Agency to make payment by September 30, 2013, past the ROPS submittal date for that period. The Agency properly included this item on the ROPS 14-15A for authorization to pay the obligation, which Finance is approving. The Agency should report the expenditure of these funds on the subsequent ROPS for reconciliation.

Except for the item denied in whole or in part as enforceable obligation or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	855,029
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 1,105,029
Total RPTTF requested for non-administrative obligations	855,029
<u>Denied Items</u>	
Item No. 10	(150,000)
	(150,000)
Total RPTTF for non-administrative obligations	705,029
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 6	(160)
Item No. 10	(150,000)
Item No. 11	(2,191)
Item No. 20	(128,137)
Item No. 21	(42,837)
Item No. 26	(31,704)
	(355,029)
Total RPTTF authorized for non-administrative obligations	\$ 350,000
Total RPTTF requested for administrative obligations	250,000
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 600,000
Self-reported ROPS 13-14A prior period adjustment (PPA)	(1,016,032)
Finance adjustment to ROPS 13-14A PPA	(96,616)
Total ROPS 13-14A PPA	(1,112,648)
Excess PPA	(512,648)
Total RPTTF approved for distribution	\$0

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. 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 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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Shawne Ellerbee, Finance Manager III, Monterey County
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office