DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 14, 2014

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

Dear Mr. Pressey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Salinas Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 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 does not qualify as an enforceable obligation for the reasons specified:

Item No. 3 – Monterey Street Parking Garage debt service payment in the amount of $986,633. The Agency requested $70,248 from Other Funds and $916,385 from the Redevelopment Property Tax Trust Fund (RPTTF) for this item. However, according to the debt service payment schedule, only $916,385 is due during the ROPS 14-15A period.
HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments 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. Therefore, Finance is approving the RPTTF funding for $916,385, but the request to use $70,248 from Other Funds is not allowed 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 in the amount of $70,436 from Other Funds and available Reserve Balances in the amount of $208,956, for a total of $279,392.

Therefore, with the Agency's concurrence, the funding sources for the following items have been reclassified and in the amounts specified below:

- Item No. 2 – 1996 Tax Allocation Bonds Series A debt service payment in the amount of $154,900. The Agency requested $12,240 from Other Funds and $142,660 from RPTTF; however Finance is reclassifying $142,660 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A period. Further, this obligation does not require payment from property tax revenues and the Agency has available funds totaling $279,392. Therefore, Finance is approving Reserve Balances in the amount of $142,660, in addition to the requested $12,240 Other Funds, totaling $154,900 for this item.

- Item No. 3 – Monterey Street Parking Garage debt service payment in the amount of $916,385. The Agency requested $916,385 from RPTTF; however, Finance is reclassifying $119,092 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. Further, this obligation does not require payment from property tax revenues and the Agency has available funds totaling $279,392. Therefore, Finance is approving RPTTF in the amount of $797,293 and the use of Other Funds in the amount of $119,092, totaling $916,385 for this item.

- Item No. 5 – Fiscal agent fees in the amount of $5,400. The Agency requested $4,500 from Other Funds and $900 from RPTTF; however, Finance is reclassifying $900 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. Further, this obligation does not require payment from property tax revenues and the Agency has available funds totaling $279,392. Therefore, Finance is approving the use of Other Funds in the amount of $900 in addition to the requested $4,500 Other Funds, totaling $5,400 for this item.

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.

Except for the item denied in whole or in part as an 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 $2,071,944 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		2,365,831
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**2,490,831**
Total RPTTF requested for non-administrative obligations		**2,365,831**
Total RPTTF for non-administrative obligations		**2,365,831**
Cash Balances - Item reclassified to other funding sources		
Item No. 2		(142,660)
Item No. 3		(119,092)
Item No. 5		(900)
		(262,652)
Total RPTTF authorized for non-administrative obligations	**$**	**2,103,179**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**2,228,179**
Self-reported ROPS 13-14A prior period adjustment (PPA)		(156,235)
Total RPTTF approved for distribution	**$**	**2,071,944**

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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

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