



April 14, 2014

Mr. Kelly Morgan, Interim City Administrator  
Sand City  
1 Sylvan Park  
Sand City, CA 93955

Dear Mr. Morgan:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sand City 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 reason specified:

Item No. 16 – Pass Through Payments to the Monterey Peninsula Unified School District in the amount of \$215,641. It is our understanding this settlement agreement is not entered by a competent court of law or binding arbitration against the Agency as required by HSC section 34171 (d) (1). Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

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 \$25,536 and available Reserve Balances in the amount of \$819,088.

Therefore, the funding source for the following items has been reclassified to Other Funds and Reserve Balances in the amounts specified below:

- Item No. 1 – 2008 Series A Exempt Tax Allocation Bond debt service payment in the amount of \$383,350. The Agency requests \$383,350 from RPTTF; however Finance is reclassifying \$25,536 to Other Funds and \$357,814 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$25,536 in available Other Funds and \$819,088 in available Reserve Balances. Therefore, Finance

is approving Other Funds in the amount of \$25,536 and Reserve Balances in the amount of \$357,814, totaling \$383,350.

- Item No. 2 – 2008 Series B Tax Allocation Bond debt service payment in the amount of \$177,113. The Agency requests \$177,113 from RPTTF; however Finance is reclassifying \$177,113 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$819,088 in available Reserve Balances. Therefore, Finance is approving Reserve Balances in the amount of \$177,113.

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 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$25,000 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	585,463
Total RPTTF requested for administrative obligations	25,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 610,463</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>585,463</b>
<b>Denied Item</b>	
Item No. 16	(25,000)
<b>Total RPTTF for non-administrative obligations</b>	<b>560,463</b>
<b>Cash Balances - Items reclassified to other funding sources</b>	
Item No. 1	(383,350)
Item No. 2	(177,113)
	(560,463)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$0</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>25,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 25,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 25,000</b>
Self-reported ROPS 13-14A prior period adjustment (PPA)	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 25,000</b>

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. During the ROPS 14-15A 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 14-15A 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 14-15B.

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: Ms. Linda Scholink, Director of Administrative Services, Sand City  
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County  
California State Controller's Office