



May 16, 2014

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

Dear Mr. Morgan:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sand City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 May 1, 2014.

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. 16 – Pass Through Payments to the Monterey Peninsula Unified School District (MPUSD) in the amount of \$215,641. Finance no longer denies this item. Finance initially denied this item because the settlement agreement was not entered by a competent court of law or binding arbitration against the Agency as required by HSC section 34171 (d) (1). During the Meet and Confer process, the Agency provided additional information and documents supporting the unpaid amounts and miscalculations in fiscal years 2007-08 through 2010-11 under a contractual pass-through agreement between the former RDA and MPUSD dated August 3, 1987. Based upon a review of the 1987 Agreement and other documents provided to support the calculations and payments made, Finance approves this item for payment from the Redevelopment Property Tax Trust Fund (RPTTF).
- During the Meet and Confer process, the Agency requested that the administrative cost allowance for the ROPS 14-15A period be increased to \$125,000. HSC section 34171 (b) limits the fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Agency has not exceeded the administrative cost allowance cap. Therefore, Finance is increasing the administrative cost allowance to \$125,000 for ROPS 14-15A.

- 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. During our previous review, Finance determined the Agency possessed funds that should be used prior to requesting RPTTF. Finance no longer believes the Reserve Balances are available to fund enforceable obligations. During the Other Funds and Accounts Due Diligence Review Meet and Confer, Finance determined that the Agency held \$1,054,399 in bond proceeds in two separate Certificates of Deposit and \$818,924 in bond reserves held with the trustee. Finance determined these are restricted funds; therefore, they are not funds available to pay for enforceable obligations pursuant to HSC section 34177 (l) (1) (E). We note that the Agency has accounted for both balances, plus interest earned, on the ROPS 14-15A cash balance worksheet.

During the Meet and Confer process, the Agency concurred that Other Funds in the amount of \$25,536 are available to pay for enforceable obligations during ROPS 14-15A. Therefore, the funding source for the following item 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. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$25,536 in available Other Funds. Therefore, Finance is approving Other Funds in the amount of \$25,536 and RPTTF in the amount of \$357,814, totaling \$383,350.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$684,927 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	585,463
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 710,463
Total RPTTF requested for non-administrative obligations	585,463
Total RPTTF for non-administrative obligations	585,463
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(25,536)
	(25,536)
Total RPTTF authorized for non-administrative obligations	\$559,927
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 684,927
Self-reported ROPS 13-14A prior period adjustment (PPA)	0
Total RPTTF approved for distribution	\$ 684,927

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>

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.

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