DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 1, 2014

Ms. Adela G. Gonzalez, City Manager
City of Soledad
248 Main Street
Soledad, CA 93960

Dear Ms. Gonzalez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Soledad Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 24, 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 do not qualify as enforceable obligations for the reasons specified:

Item No. 9 – Hartnell Community College District Pass-through payment in the amount of $263,160. Finance approved this item as an enforceable obligation on the ROPS for the period January through June 2014 (ROPS 13-14B). It is our understanding the Agency received insufficient Redevelopment Property Tax Trust Funds (RPTTF) from the Monterey County Auditor-Controller (CAC) to fund all of its obligations. However, the Agency is requesting a total amount of $263,160 for this item, which is $131,877 more than the actual shortfall from the CAC distribution. Therefore, the excess amount of $131,283 ($263,160-$131,877) is not eligible for RPTTF funding.

Pursuant to HSC section 34177 (a) (3), only those payments listed in the ROPS may be made by the Agency, and only 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 the Agency's expenditures have exceeded the Finance authorization for Bond Proceeds and Reserve Balances. Therefore, Finance is increasing the Agency's authorization for the ROPS 13-14A period to ensure the authorization is consistent with expenditures for the approved enforceable obligations. This is for informational purposes and will not affect your ROPS 14-15A spending authority.

- Bond Proceeds totaling $531,181 – Item No. 2, $179,584; Item No.3, $233,619; and Item No. 7, $117,978.

- Reserve Balances totaling $285,000 – Item No. 1, $220,000; and Item No. 2, $65,000.

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.

Except for the item denied in whole or in part as enforceable obligation, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $1,079,783 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		1,086,066
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**1,211,066**
Total RPTTF requested for non-administrative obligations		**1,086,066**
Denied Item		
Item No. 9		(131,283)
		(131,283)
Total RPTTF authorized for non-administrative obligations	**$**	**954,783**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,079,783**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**1,079,783**

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 cash 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 cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash 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: Mr. Brent Slama, Community Development Director, City of Soledad
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office