



May 16, 2014

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

Dear Ms. Gonzalez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 1, 2014. 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 Finance on February 24, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 1, 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 April 15, 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 item being disputed.

- Item No. 9 – Hartnell Community College District Pass-through payment in the amount of \$263,160. Finance no longer denies this item. Finance approved this item as an enforceable obligation on the January through June 2014 ROPS (ROPS 13-14B). It is our understanding the Agency received insufficient funding from the Redevelopment Property Tax Trust Fund (RPTTF) from the Monterey County Auditor-Controller (CAC) to fund all of its obligations. The Agency is requesting a total amount of \$263,160 for this item, which was initially determined to be \$131,877 more than the shortfall from the CAC distribution and the excess amount of \$131,283 (\$263,160-\$131,877) was denied.

During the Meet and Confer process, the Agency contended that insufficient funds are available and the full amount continues to be necessary to make the payment. Based on further review during the Meet and Confer process, it was determined that the total shortfall for ROPS 13-14B was \$322,641, which consists of \$204,925 in insufficient RPTTF funding and \$117,716 in a miscalculated Prior Period Adjustment self-reported by the Agency. Assuming the Agency pays all other items at the approved amounts prior to making payments on the pass through items (Item Nos. 8-10 totaling \$336,208), only \$13,567 (\$336,208 - \$322,641) is available for the various pass through payments in ROPS 13-14B. The Agency stated that they do not plan on making a partial payment with the \$13,567 during ROPS 13-14B. Therefore, it is anticipated that at least \$13,567 should continue to be available and be included in the Prior Period Adjustment to be

reported in ROPS 14-15B and \$263,160 for Item No. 9 is approved for RPTTF funding in ROPS 14-15A.

- Based on additional review during the Meet and Confer process, Item No. 3 – 2007 Tax Allocation Bonds, Series B will be increased by \$2,412 from the RPTTF to fund the additional amount that was not requested in the ROPS 13-14B period.

In addition, per Finance's letter dated April 1, 2014, we continue to make the following adjustments, not contested by the Agency during the Meet and Confer, to the items below:

- Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Bond Proceeds and Reserve Balances were previously expended, the increase in authorization should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.
  - 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 mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,213,478 as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	1,088,478
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 1,213,478</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,088,478</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,088,478</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,213,478</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,213,478</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 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>

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.

Ms. Adela G. Gonzalez  
May 16, 2014  
Page 4

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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