DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

July 20, 2012

Mr. Michael Amabile, Mr. Peter Michael, Mr. Erasmo Viveros
Merced Designated Local Authority acting as Successor to the Merced former Redevelopment Agency

Dear Mr. Amabile, Mr. Michael, and Mr. Viveros:

The Department of Finance (Finance) is contacting you concerning a discrepancy between the amount your Successor Agency was billed on July 9, 2012 by the county auditor-controller pursuant to AB 1484, (Chapter 26, Statutes of 2012) and the amount that your Successor Agency subsequently remitted to them on July 12, 2012.

As you know, county auditor-controllers were required by July 9, 2012 to calculate and bill Successor Agencies for the amount of residual property tax revenue owed to cities, counties, special districts, and K-14 schools (collectively known as Affected Taxing Entities) for the period covered by the January 2012 through June 2012 Recognized Obligation Payment Schedule (ROPS). Successor Agencies were required to remit the billed amount to the county auditor-controller by July 12, 2012 for distribution to the Affected Taxing Entities.

AB 1484 provides for penalties when a Successor Agency fails to remit the full billed amount to the county auditor-controller. These penalties are as follows:

- Both the Successor Agency and the City or County that operates the Successor Agency are subject to civil penalties equal to 10 percent of the amount owed to the Affected Taxing Entities, plus an additional monthly penalty equal to 1.5 percent of the amount owed to the Affected Taxing Entities.

- The City or County that operates the Successor Agency may have its monthly sales and use tax distributions withheld.

- The Successor Agency shall be prohibited from paying any Enforceable Obligations other than bond debt service payments.

Before any penalties are imposed, Finance would like to provide you an opportunity to share any information that you believe justifies the identified underpayment. At the very least, this information should include the following:

- The total amount of property tax available to the former redevelopment agency (RDA) prior to the property tax distribution that was used to fund the January 2012 to June 2012 ROPS (in most counties this distribution was in December 2011).

- The total amount of property taxes received by the former RDA from the property tax distribution that was used to fund the January 2012 to June 2012 ROPS.

- If applicable, explanation and documentation that shows the former RDA/Successor Agency paid Finance-approved Enforceable Obligations on the January 2012-June 2012 ROPS using property tax revenues that were improperly coded on the ROPS as being from reserves, or from sources other than property tax revenue.

- The Successor Agency's current property tax reserves, and an explanation of why those sums cannot be used to pay the amount that the Successor Agency was billed on July 9, 2012.

To ensure Successor Agencies have an opportunity to explain any potentially mitigating circumstances, Finance does not intend to withhold sales and use tax revenues from cities or counties until the September 2012 sales and use tax disbursement, as authorized by Health and Safety Code section 34183.5. Nor does Finance intend to seek any civil penalties against Successor Agencies and cities and counties until September.

If a Successor Agency disputes its billing, it must submit information to Finance by July 31, 2012 that convincingly demonstrates its underpayment was legally justified. In such cases, Finance will ensure no penalties are applied to either the Successor Agency or to the city or county. If such information is not presented by July 31, 2012, and if the Successor Agency continues to refuse to pay the full billed amount, Finance will ensure the penalties required by AB 1484 are applied.

Please submit any pertinent information to redevelopment_administration@dof.ca.gov, and please title the e-mail "(Name of Successor Agency) July Billing Dispute Information". If you have previously submitted information to Finance concerning your disputed billing, please resubmit that information to ensure it is properly routed to the appropriate staff.

To ensure Finance has time to carefully consider your information, I suggest you send it as soon as possible. If you have any questions in the interim, please call (916) 445-1546.

Sincerely

ANA J. MATOSANTOS
Director

cc: County Auditor-Controller