

May 30, 2012

Carol Bouchard, Program Analyst
Monterey County Economic Development Dept.
168 West Alisal Street
Salinas, CA 93901

Dear Ms. Bouchard:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Monterey County Redevelopment Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 11, 2012 for the period July to December 2012 and on May 25, 2012 for the period January to June 2012. A revised ROPS dated April 12, 2012 was obtained due to notification that the Oversight Board approved a revision as of April 12, 2012 and is the subject of this review. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS

- HSC section 34171(b) limits administrative costs to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Since \$250,000 is the maximum administrative cost allowance through property tax, the following are not allowed:
 - County Wide Cost Allowance Plan: Page 1, line 11 and page 7, line 23 totaling \$7,000
 - Estimates of Successor Agency Staff Time for projects: Page 1 line 9, page 3 lines 8,10,13,20 and page 6 line 10 totaling \$57,230
 - Agreement for RDA Administrative Fund: Page 2 line 18, page 4 line 30, page 7 line 25 totaling \$366,159.
- The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing fund be remitted to the county auditor controller for distribution to the taxing entities. The following have been labeled as set aside:
 - Page 4 line 28 and page 7 line 24 totaling \$442,548.
- HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The following are not EOs:
 - Page 6, lines 18 & 19, Advances from County totaling \$387,187

July through December 2012 ROPS

- Page 3, Line 9, Advance (Loan) from the County for \$221,997. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence.

Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of Redevelopment Property Tax Trust Fund (RPTTF) that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Jennifer Whitaker or Robert Scott at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Michael Miller, Auditor-Controller, Monterey County