



May 21, 2012

Don Rhoads, Finance Director
City of Monterey
735 Pacific Street
Monterey, CA 93940

Dear Mr. Rhoads:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Monterey Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 10, 2012 for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

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

Item 1, page 1 is for the Reimbursement Agreement with the City of Monterey in the amount of \$131.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not EOs.

- Item 19, page 1 is for funds reserved to meet the former redevelopment agency's (RDA) housing production obligations in the amount of \$2 million. HSC section 34163 (b) prohibits a redevelopment agency from incurring any obligations or making commitments after June 27, 2011. It is our understanding that there is no contract in place for the anticipated project.
- Item 20, page 1 in the amount of \$1.5 million was for reimbursement to the Low and Moderate Income Housing Fund for set-aside payments that were deferred in prior fiscal years. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes, along with payments of deferred payments, ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) required 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.

July through December 2012 ROPS

- Item 1, page 1 is for the Reimbursement Agreement with the City of Monterey in the amount of \$131.9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not EOs.
- Item 5, page 1 is for funds reserved to meet the former RDA's housing production obligations in the amount of \$2 million. HSC section 34163 (b) prohibits a redevelopment

agency from incurring any obligations or making commitments after June 27, 2011. It is our understanding that there is no contract in place for the anticipated project.

- Item 6, page 1, in the amount of \$1.5 million was for reimbursement to the Low and Moderate Income Housing Fund for set-aside payments that were deferred in prior fiscal years. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes, along with payments of deferred payments, ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) required 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.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County Auditor/Controller