



May 11, 2012

Don Reynolds, Project Manager
City of Salinas
65 W. Alisal Street
Salinas, CA 93901

Dear Mr. Reynolds:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Salinas Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 26, 2012 for the periods January through June 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 Period

- Item 3 - Parking structure cooperation and reimbursement agreement with the City in the amount of \$337,147. HSC section 34171 (d) (2) states agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable.
- Item 9 – Excess administrative cost allowance of \$184,500 is not an EO. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated to Salinas Redevelopment Agency in 2011-12 equated to approximately \$25,007. Since there is a \$250,000 minimum funding for administrative expenses, we are denying \$184,500 of the claimed \$434,500.
- Item 20 – Reimbursement Agreement of \$7,500 executed on June 29, 2011. Contracts executed after June 27, 2011 are not EOs (HSC section 34163 (b)).

July through December 2012 Period

- Item 3 - Parking structure cooperation and reimbursement agreement with the City in the amount of \$752,147. HSC section 34171 (d) (2) states agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable.
- Item 9 – Excess administrative cost allowance of \$209,500 is not an EO. HSC section 34171 (b) limits the administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated to Salinas Redevelopment Agency equated to approximately \$87,980. Since there is a \$250,000 minimum funding for administrative expenses, we are questioning \$209,500 of the claimed \$459,500.

- Item 19 – Reimbursement Agreement of \$7,500 executed on June 29, 2011. Contracts executed after June 27, 2011 are not EOs (HSC section 34163 (b)).

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 Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Matt Pressey, Finance Director, City of Salinas
Ms. Julie Aguero, Analyst II, Monterey County