



May 17, 2013

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies
Merced Designated Local Authority
865 South Figueroa Street, 35th Floor
Los Angeles, CA 90017

Dear Mr. Jicha:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Merced Designated Local Authority (Authority) submitted a ROPS 13-14A to Finance on March 4, 2013 for the period of July through December 2013. 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 25, 2013.

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. 8 – Project Area #2/Simpson's DDA-Brownfield Rem. in the amount of \$110,146. Finance continues to deny this item. Finance was originally denied because the Authority was not able to provide any documentation to support the amounts claimed. During the Meet and Confer process, the Authority stated no funds were committed for expenditure during the ROPS 13-14A period. Therefore, the Authority requests the item remain on the ROPS as a contingent obligation and reduce the RPTTF funding to zero. In addition, the Authority provided the Agreement Affecting Property between the former Redevelopment Agency (RDA) and Allen/Julie Larson. Although the agreement contains covenants, there are no obligations mentioned in the agreement. Therefore, the item is not an enforceable obligation.
- Item No. 65 – Gateways/Loan Guarantee in the amount of \$312,500. Finance continues to deny this item. Finance originally denied because the Authority was not able to provide any documentation to support the amounts claimed. During the Meet and Confer process, the Authority provided the Pledge, Assignment, and Security Agreement between the City and the Housing and Urban Development of the United States of America (HUD) dated April 18, 2003. For the Guaranteed Loan of Funds of up to \$4 million, the City pledged future community block grant funds and then as "additional security", the City pledged tax increment revenue generated from the growth in the assessed value of real property from the Redevelopment Project Area #2. The former RDA is not a party to the contract.

The Authority also provided the first four pages of the Debt Service Funding Agreement between the former RDA and Merced The Grove, L.P. (The Grove), dated October 30, 2002. Based on the pages provided, it appears The Grove is to make payments to the RDA and the RDA in turn is to make \$6,210.42 in monthly payments on behalf of The Grove to Wells Fargo. However, without the complete, signed document, Finance cannot determine whether the item is an enforceable obligation. Therefore, this item continues to be denied at this time.

- Item No. 66 – Pass-through payments in the amount of \$750,000. Finance continues to deny this item. Per HSC section 34183 (a) (1), the county auditor-controller (CAC) will make the required pass-through payments starting with the July through December 2012 ROPS. The Authority claims the CAC was unwilling to commit to making the payments, thus the need for the Authority to place the item on the ROPS. However, after Finance provided clarification to the CAC, the CAC agreed to make the payments starting with the July through December 2013 ROPS. Therefore, this item is not eligible for funding on the ROPS.
- Item Nos. 73 and 74 – Legal and litigation costs totaling \$69,485. These items were originally considered general administrative costs and were reclassified.
 - Item 73 – The Authority contends it requires legal review and advice for all former RDA contracts and activities since there is no former RDA staff available to guide in the wind down activities; therefore, the item should be considered project/program related, eligible for RPTTF funding. Finance still considers Item 73 as a general administrative cost and continues to be reclassified.
 - Item 74 – During the Meet and Confer process, the Authority provided Finance with court documentation to support the claimed litigation costs. Therefore, this item is an enforceable obligation and is eligible for RPTTF funding.
- Item No. 76 – R Street Remediation in the amount of \$104,000. Finance is no longer denying this item. Finance originally denied this item because the Authority was not able to provide any documentation to support the amounts claimed. During the Meet and Confer, the Authority provided the Consulting Services Agreement between the Authority and Provost & Pritchard dated January 25, 2013 for remediation of an underground storage tank. Since this relates to the maintenance of assets prior to disposition, this item is an enforceable obligation and eligible for RPTTF funding.

In addition, per Finance's ROPS letter dated April 14, 2013, the following items continue to be denied and were not contested by the Agency:

- Item Nos. 5, 29, and 34 – Various costs totaling \$248,458 related to Project Area #2 and Gateways. According to the Authority, these obligations have been satisfied and can be removed from the ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$3,294,109 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,784,170
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 5	11,868
Item 8	110,146
Item 29	8,468
Item 34	2,630
Item 65	156,250
Item 66	375,000
Item 73*	19,473
Total approved RPTTF for enforceable obligations	\$ 3,100,335
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	193,774
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 3,294,109

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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

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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 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.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Amabile, Chair, Merced Designated Local
Ms. Sylvia Sanchez, Supervising Accountant, County of Merced
California State Controller's Office