

December 17, 2013

Mr. William B. Avera, Development Services Director
City of Hollister
375 Fifth Street
Hollister, CA 95023

Dear Mr. Avera:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 28, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hollister Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 19, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 28, 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 November 15, 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 items being disputed.

- Item Nos. 23 and 24 – Employee Benefit Compensation in the amount of \$174,012 and Post Employee Benefits in the amount of \$100,800. Finance no longer denies these items. Finance initially denied these items as both of these obligations were previously approved as enforceable obligations on the January through June 2013 ROPS (ROPS III) Meet and Confer determination letter dated December 18, 2012, to be paid with Reserves. The Agency contended that these items were never funded with Reserves or Redevelopment Property Tax Trust Fund (RPTTF) funding. Based on further review during the Meet and Confer process, Finance verified that these items were never funded with RPTTF funds since the items were not approved on the January through June 2012 ROPS (ROPS I) and there were no Reserve balances available after the Other Funds and Accounts (OFA) Due Diligence Review (DDR) to pay for the items during ROPS III. Therefore, these items are eligible for RPTTF funding.

In addition, per Finance's letter dated October 28, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 28 – Prospect Villa Apartments Rent Assistance in the amount of \$24,000. The Agency is requesting RPTTF for the ROPS I period claiming that the item was left off the ROPS I form. Based on our review of enforceable obligations approved on

ROPS I, this item was listed as Item No. 45 and was approved for \$25,002 of Low and Moderate Income Housing Fund (LMIHF). Therefore, the item is not eligible for additional RPTTF funding.

- Item No. 32 – July 2012 through December 2012 (ROPS II) funds returned to County Auditor-Controller (CAC) as part of the OFA Due Diligence Review in the amount of \$1,178,658. Finance continues to deny this item. The Agency stated that they had paid \$1,355,882 to the CAC based on their OFA DDR audit before Finance completed its review. Finance's OFA DDR determination did not identify any amount be remitted to the CAC for distribution to the taxing entities. The Agency was unable to provide documentation to confirm their payment to the CAC. Additionally, the CAC has not reported receiving a payment for the OFA DDR from the Agency. Furthermore, RPTTF is only provided to pay for enforceable obligations. Since the Agency did not identify any enforceable obligations that this funding would be used for this item is not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the below table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the below table includes only the prior period adjustment that was self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. This determination applies only to items where funding was requested for the six month period. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,318,784 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	\$ 3,431,785
Total RPTTF requested for administrative obligations	\$ 125,000
Total RPTTF requested for obligations	\$ 3,556,785
Total RPTTF requested for non-administrative obligations	\$ 3,431,785
Denied Items	
Item No. 28	24,000
Item No. 32	1,178,658
	<u>1,202,658</u>
Total approved for non-administrative obligations	\$ 2,229,127
Total RPTTF for administrative obligations	125,000
Total RPTTF approved for obligations	2,354,127
ROPS III prior period adjustment	(35,343)
Total RPTTF approved for distribution	\$ 2,318,784

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. 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 section 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 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 HSC section 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Mary M. Paxton, Program Manager, City of Hollister
Mr. Joe Paul Gonzalez, Auditor-Controller, County of San Benito
California State Controller's