



December 17, 2013

Mr. Michael Powers, City Manager
City of King
212 South Vanderhurst Avenue
King City, CA 93930

Dear Mr. Powers:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of King Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 2, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 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 December 4, 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 No. 6 – Gregory Judgment in the amount of \$60,000. Finance is approving this item. Finance partially denied this item due to a lack of documentation to support the amount requested. During the Meet and Confer, the Agency provided additional documentation to support the total amount claimed. In addition, the Agency provided that the item has always been placed and approved on the ROPS; however, due to insufficient Redevelopment Property Tax Trust Fund (RPTTF) distributions, no payments on this obligation have been made since 2009. Therefore, Finance approves \$60,000 in RPTTF funding this period.
- Item Nos. 7 through 9 – Various Notes totaling \$513,022. Finance is approving this item. Finance partially denied this item due to a lack of documentation to support the amount requested. During the Meet and Confer, the Agency provided additional documentation to support the total amount claimed. Due to a lack of RPTTF available for distribution, the Agency has been unable to pay off these obligations as required in the promissory notes and payment schedules. Therefore, RPTTF funding in the amount of \$513,022 is approved for distribution this period.
- Item No. 10 – Property Tax Pass-Through True-Up in the amount of \$552,585. Finance no longer denies this item. Finance initially denied this item as no documentation was

provided to support the amounts requested. During the Meet and Confer, the Agency was able to provide sufficient documentation identifying that a total of \$756,373 was owed to the local education agencies for unfunded property tax pass-throughs for fiscal years 2004-05 through 2010-11. Therefore, this item is increased to and is approved for \$756,373 in RPTTF funding.

- Item No.16 – Property Maintenance in the amount of \$2,500. Finance no longer denies this item. Finance initially denied this item as no documentation was provided to support the amounts requested. During the Meet and Confer, the Agency provided a list of estimated property maintenance costs that would be incurred during the ROPS 13-14B period. HSC section 34171 (b) allows the costs of maintaining assets prior to disposition to be specifically excluded from the administrative cap. Therefore, this item is excluded from the administrative cap and approved for RPTTF funding in the amount of \$2,500 this period.

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 table below 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 county auditor-controller (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 table below 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,683,481 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,748,461
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,873,461
Total RPTTF requested for non-administrative obligations	1,748,461
Total RPTTF requested for administrative obligations	125,000
Total RPTTF for administrative obligations	125,000
Total ROPS III PPA	(189,980)
Total RPTTF approved for distribution	\$ 1,683,481

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay

approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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_13-14B_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Cindy Iglesias, Administrative Assistant, City of King
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office