



December 17, 2013

Ms. Marti Noel, Redevelopment & Housing Assistant Director
Monterey County
168 West Alisal, 2nd Floor
Salinas, CA 93901

Dear Ms. Noel:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 22, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Monterey County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 10, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 22, 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 5, 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.

- Prior Period Adjustment in the amount of \$312,153 for Item 14. The Agency requested review of the prior period adjustment made to the Agency's self-reported amount. The Agency claims that Item 14 has been included on the ROPS listed as \$0 in previous ROPS and during the ROPS III period a settlement was reached and the Agency was required to make the payments. Our review indicates that the "Settlement Agreement" dated June 11, 2013 entered into between Monterey Salinas Transit the County of Monterey is a contract, not a settlement entered by a competent court of law or binding arbitration decisions against the Agency as required by HSC section 34171 (d) (1). In addition, the item was not presented to the Oversight Board for review and approval and the forwarded to Finance for review and approval; therefore, the contract is not an enforceable obligation and no changes to the prior period adjustment will be made.

We remind the Agency that according to HSC section 34177 (a) only those payments listed and approved on the ROPS may be made from the funds specified on the ROPS. Regardless, we have reviewed the items and determined no adjustment to the prior period adjustment is warranted.

In addition, per Finance's letter dated November 22, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 2 – Merritt Services Contract in the amount of \$907,784 requested for ROPS 13-14B. It is our understanding the grant agreement between the former redevelopment agency and the Castroville Community Service District dated March 15, 2011 was terminated on October 31, 2013. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 22 and 23 – Contingent Liability payments to Monterey Peninsula Community College District and Monterey Peninsula Unified School District totaling \$191,377. Insufficient documentation was provided to support the amounts claimed. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. It is our understanding the Agency has funds totaling \$1,234,114 from a prior period adjustment during the period July through December 2012 (ROPS II).

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Funds and in the amounts specified below:

- Item No. 10 – East Garrison Development and Disposition Agreement in the amount of \$7,068,164. The Agency requests \$300,000 of RPTTF; however Finance is reclassifying \$300,000 to Reserve Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$300,000 in Reserve Funds. Therefore, Finance is approving the use of Reserve Funds in the amount of \$300,000 for Item No. 10.
- Item Nos. 24 through 26 – Various Contingent Liability payments totaling \$809,114. The Agency requests \$840,818 of RPTTF; however Finance is reclassifying \$809,114 to Reserve Funds. These items were determined to be enforceable obligations for the ROPS 13-14B period. However, these obligations do not require payment from property tax revenues and the Agency has \$809,114 in Reserve Funds. Therefore, Finance is approving the use of Reserve Funds in the amount of \$809,114 (\$635,099 for Item No. 24, \$120,623 for Item No. 25 and \$53,392 for Item No. 26).
- Item No. 29 – Agency Administrative Cost Allowance in the amount of \$125,000. The Agency requests \$125,000 in Administrative Cost Allowance; however Finance is reclassifying \$125,000 to Reserve Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$125,000 in Reserve Funds. Therefore, Finance is approving the use of Reserve Funds in the amount of \$125,000 for Item No. 29.

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.

However, as addressed above Finance increased the Agency's Prior Period Adjustment by \$175,000. The Agency expended RPTTF funds for Item No. 14 – Contingent Liability in the amount of \$175,000 as reported on the Prior Period Adjustment form for the period January 2013 through June 2013. Pursuant to HSC section 34177 (a) (3), only those payments listed in the ROPS may be made by the Agency from the funds specified in the ROPS. As this amount was not listed on the ROPS nor approved by Finance, the prior period adjustment has been increased from \$137,153 to \$312,153 by \$175,000.

However, the current approved RPTTF is insufficient to allow for the entire prior period adjustments (PPA) of \$312,153 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF during ROPS for the period July through December 2014 (ROPS 14-15A).

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, 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 zero as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,410,953
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,535,953
Total RPTTF requested for non-administrative obligations	2,410,953
<u>Denied Items</u>	
Item No. 2	(907,784)
Item No. 22	(18,653)
Item No. 23	(172,724)
	(1,099,161)
Total RPTTF approved for non-administrative obligations before reclassifications	1,311,792
<u>Reclassified Items</u>	
Item No. 10	(300,000)
Item No. 24	(635,099)
Item No. 25	(120,623)
Item No. 26	(53,392)
	(1,109,114)
Total RPTTF approved for non-administrative obligations	202,678
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 29	(125,000)
Total RPTTF allowable for administrative obligations	-
Self-Reported ROPS III prior period adjustment (PPA)	(137,153)
Adjustment to ROPS III PPA	(175,000)
Total ROPS III PPA	(312,153)
Total RPTTF approved for distribution*	\$ -

*Total RPTTF approved for distribution shown as "zero" because the current approved RPTTF amount of \$202,678 is insufficient to fully offset the prior period adjustment of \$312,153.

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/>.

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Shawne Ellerbee, Finance Manager III, Monterey County
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office