



November 6, 2013

Mr. Matt Pressey, Finance Director
City of Salinas
200 Lincoln Avenue
Salinas, CA 93901

Dear Mr. Pressey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Salinas Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 26, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 1 and 2 – 1992 and 1996 Tax Allocation Bonds Series A totaling \$863,971. The Agency requested \$928,871, however, the total amount due during ROPS 13-14B is \$64,900. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Additionally, based on the history of the Agency's RPTTF distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for these items.

The Agency's request for debt service funding requested for the following bonds have been adjusted as follows:

- Item No. 1 – 1992 Tax Allocation Bonds Series A in the amount of \$709,071.
- Item No. 2 – 1996 Tax Allocation Bonds Series A in the amount of \$154,900.

Therefore, the excess, \$863,971 (\$928,871-\$64,900) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 11 – Legal Defense Counsel in the amount of \$175,267. The total contract amount is \$300,000. However, it is our understanding the Agency is only responsible for half of the total obligation, or \$150,000. While this item is an enforceable obligation, the

total amount expended and requested to date has exceeded the Agency's obligation. Therefore, the Agency no longer has an obligation to fund this contract and this item is not eligible for RPTTF funding.

- Item No. 17 – Ground Zero Analysis, Inc. contract in the amount of \$428,589. Based on our review of the service contract between the Agency and Ground Zero Analysis, Inc., the contract expired on December 31, 2001. No other documents were provided to support the need for funding. Therefore, this item is not an enforceable obligation and 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 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 or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,481,753 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,432,578
Total RPTTF requested for administrative obligations	-
Total RPTTF requested for obligations	\$ 2,432,578
Total RPTTF requested for non-administrative obligations	2,432,578
<u>Denied Items</u>	
Item No. 1	709,071
Item No. 2	154,900
Item No. 11	50,000
Item No. 17	24,800
	938,771
Total RPTTF approved for non-administrative obligations	1,493,807
Total RPTTF approved for administrative obligations	-
Total RPTTF approved for obligations	1,493,807
ROPS III prior period adjustment	(12,054)
Total RPTTF approved for distribution	\$ 1,481,753

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.

Additionally, an adjustment was made to Fund Balances form based upon information provided by the Agency during our review. Although this adjustment has no effect on the amount of RPTTF the Agency receives, this adjustment will affect the Agency's fund balances for the fund source involved. The following adjust was made:

- The Agency was allowed to retain \$1,563,543 in bond reserves during the Other Funds and Accounts Due Diligence Review. However, the amount was omitted from the Fund Balances form. The Agency agreed with this adjustment and will report bond reserve balances during future ROPS.

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/).

Absent a Meet and Confer, 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 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.

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Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Don Reynolds, Project Manager, City of Salinas
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office