

December 17, 2014

Mr. Jeff Crechriou, Airport Services Manager  
City of Marina  
211 Hillcrest Avenue  
Marina, CA 93933

Dear Mr. Crechriou:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Marina Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 2, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 14, 2014. 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 25, 2014.

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 – Low and Moderate Income Housing Fund Loan in the amount of \$229,715. Finance no longer denies \$64,968 of this item. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base. Further, HSC section 34171 (d) (1) (G) requires the Oversight Board (OB) to approve a repayment schedule for the repayment of the amounts borrowed. Finance initially denied this item because no OB resolution approving the repayment schedule had been submitted.

During the Meet and Confer process, the Agency provided an OB resolution approving the repayment schedule. According to the Monterey County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$315,798 and \$445,734, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$64,968. Therefore, this line item is eligible for \$64,968 of RPTTF funding. The remaining \$10,311 in RPTTF requested is denied.

- Item No. 7 – Dunes Disposition and Development Agreement in the amount of \$62,384,000. During the Meet and Confer process, the Agency noted the incorrect Other Funds amounts referenced in the original letter. Using the corrected amounts, the

Agency requests a total of \$360,000; \$11,609 payable from Other Funds and \$348,391 payable from RPTTF. However, Finance has denied the use of Other Funds for Item No. 30 as described below, and reclassified Other Funds for this item. Therefore, Finance approves \$26,174 (\$11,609 + \$14,565) from Other Funds, and RPTTF in the amount of \$333,826, for a total of \$360,000 for this item.

In addition, per Finance's letter dated November 14, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 24 – Interim, Inc. Project Management costs in the amount of \$108,000 is denied. It is our understanding this line item relates to the management of the development of housing units. With the Agency's consent, this item has been removed. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 30 – Administrative Costs Budget in the amount of \$139,565 is partially approved. The Agency requests a total of \$139,565 for the Administrative Cost Allowance, \$14,565 from Other Funds and \$125,000 from RPTTF. However, based on our review of the Agency's Administrative Budget, the OB has only approved \$125,000 from RPTTF for administrative costs. Therefore, Finance approves \$125,000 from RPTTF for the Agency's administrative cost allowance, and \$14,565 is now available for other enforceable obligations.

Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$678,745 as summarized in the Approved RPTTF Distribution Table on the following page:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	788,841
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 913,841</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>788,841</b>
<u>Denied Items</u>	
Item No. 6	(10,311)
Item No. 24	(3,000)
	(13,311)
<u>Reclassified Item</u>	
Item No. 7	(14,565)
	(14,565)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 760,965</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 885,965</b>
ROPS 13-14B prior period adjustment	(207,220)
<b>Total RPTTF approved for distribution</b>	<b>\$ 678,745</b>

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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),

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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  
Acting Program Budget Manager

cc: Mr. Layne Long, City Manager, City of Marina  
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County  
California State Controller's Office