DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

REVISED

November 14, 2014

Ms. Julie Porter, Assistant Finance Director
City of Monterey
735 Pacific Street
Monterey, CA 93940

Dear Ms. Porter:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Monterey City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 25, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 3 – Monterey Hotel Mixed-Use Apartment Project in the amount of $1,085,035, funded by Reserve Balances is partially approved. HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months. Although this obligation is enforceable, the Agency plans to publish a Request for Proposal in December of 2014, and thereafter will select a developer. As the Agency has not expended these retained funds since January 2013, and has not entered into a contract with a developer, it is not reasonable to expect that full payment will be necessary during one ROPS cycle. Therefore, $542,517 has been denied for this period, and the Agency is approved for $542,518 from Reserve Balances.

- Item No. 4 – PRI, LLC Construction Loan in the amount of $446,008, funded by Other Funds is partially approved. HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months. Although this obligation is enforceable, the Agency plans to publish a Request for Proposal in December of 2014, and thereafter will select a developer. As the Agency has not expended these retained funds since January 2013, and has not entered into a contract with a developer, it is not reasonable to expect that full payment will be necessary during one ROPS cycle. Therefore, $223,004 has been denied for this period, and the Agency is approved for $223,004 from Other Funds.

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 audit 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, as adjusted by Finance.

Additionally, with the Agency's concurrence, Finance has adjusted reported expenditures from Reserve Balances on the Prior Period Adjustments form for Item No. 3, increasing the actual expenditures from $16,259 to $38,122. This is to allow for expenditures of $21,863 during the ROPS III period which the Agency had not yet reported. As these Reserve Balances were previously expended, this increase should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

The amount of RPTTF approved in the below table includes excess prior period adjustment (PPA) of $40,882. The current approved RPTTF is insufficient to allow for the prior period adjustments of $50,882. 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. As the Agency will possess cash balances that are available to pay approved obligations, the Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Except for items denied in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 zero as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		0
Total RPTTF requested for administrative obligations		10,000
Total RPTTF requested for obligations on ROPS	**$**	**10,000**
Total RPTTF authorized for administrative obligations	**$**	**10,000**
Total RPTTF authorized for obligations	**$**	**10,000**
ROPS 13-14B prior period adjustment (PPA)		(50,882)
Excess PPA		40,882
Total RPTTF approved for distribution		**$0**

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

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

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, 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), 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Rick Marvin, Housing & Property Manager, City of Monterey
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office