

December 17, 2014

Ms. Adela G. Gonzalez, City Manager
City of Soledad
248 Main Street
Soledad, CA 93960

Dear Ms. Gonzalez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Soledad Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 3, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 December 5, 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. 13 – Property Maintenance costs in the amount of \$25,500. Finance no longer denies this item. Finance initially denied this item because the Agency was unable to provide documentation to support the amounts claimed. During the Meet and Confer process, the Agency provided additional information related to the types of expenditures to be incurred and the associated properties. Therefore, this item is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 14 – Capital Improvements in the amount of \$4,000,000, funded with Bond Proceeds. Finance no longer denies this item. Finance initially denied this item because the Agency was unable to provide documentation to support the amounts claimed. During the Meet and Confer process, the Agency requested to increase the amount for Item No. 14 to the remaining bond balance available. The Agency submitted Oversight Board (OB) Resolution No. SA-OB-2014-06 to Finance on December 11, 2014, to enter into a Bond Expenditure Agreement with the City of Soledad (Soledad) to expend all excess bond proceeds remaining from the 1998 and 2007 Tax Allocation Bonds on projects in accordance with the respective bond covenants. Finance is approving OB Resolution No. SA-OB-2014-06 to allow the Agency to enter into the Bond Expenditure Agreement with the City. The Agency received a Finding of Completion on April 18, 2013, and provided an agreement between the Agency and the City to expend the excess bond proceeds. Therefore, the Agency's request to expend all remaining proceeds from bonds issued prior to December 31, 2010, pursuant to HSC section 34191.4 (c) is approved.

In addition, per Finance's letter dated November 17, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on 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. Based on our review of the Agency's prior period adjustments, Finance notes that the Agency did not account for the ROPS III prior period adjustment of \$120,128 in determining the distribution amount for the ROPS 13-14B period. Finance is hereby adjusting the prior period adjustment reported on the ROPS 14-15B form by \$120,128.

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, as adjusted by Finance.

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 \$1,071,859 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	1,066,987
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,191,987
Total RPTTF requested for non-administrative obligations	1,066,987
Total RPTTF authorized for non-administrative obligations	\$ 1,066,987
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,191,987
Self-reported ROPS 13-14B prior period adjustment (PPA)	0
Finance adjustment to ROPS 13-14B PPA	(120,128)
Total ROPS 13-14B PPA	(120,128)
Total RPTTF approved for distribution	\$ 1,071,859

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however the Agency was unable to support the cash balances reported. The beginning balances for Bond Proceeds, Reserves Balances, and Other Funds could not be supported by

the Agency's financial records. Therefore, Finance did not make any adjustments or reclassify cash. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

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), 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. Brent Slama, Community Development Director, City of Soledad
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County
California State Controller's Office