



April 6, 2015

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies
City of Merced Designated Local Authority
865 South Figueroa Street, 35th Floor
Los Angeles, CA 90017

Dear Mr. Jicha:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Merced Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 24, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 88 – Verinek, Trine Day Accounting Services \$10,000. Although enforceable, the types of services requested totaling are considered general administrative costs and have been reclassified.
- Item No. 99 – Redevelopment Property Tax Trust Fund (RPTTF) shortfall amount of \$12,247 for the July through December 2014 (ROPS 14-15A) period. Although the Merced County Auditor-Controller (CAC) reported the Agency received a RPTTF distribution amount less than the RPTTF amount Finance authorized for the ROPS 14-14A period, the Agency was unable to demonstrate a shortfall or need to fund the requested amount of \$12,247. The Agency did not provide Finance with a listing of the specific ROPS items and amounts that remained unfunded to support the amounts requested for each ROPS period. 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 on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the 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 and adjusted by Finance. Based on our review of the PPA, Finance noted the Agency did not record \$27,209 of RPTTF as being available for the following items:

- Item No. 14 – Gateways, Cost of Continuing Disclosure, \$209
- Item No. 74 – DLA Board Legal Counsel, \$2,000
- Item No. 77 – Project #2/ Trustee Services on 2003 Tax Allocation Bonds Series A, \$2,500
- Item No. 78 – Gateways/ Trustee Services on 2001 Tax Allocation Bonds Series A, \$2,500
- Item No. 90 – Costco Property and Remediation Activities, \$20,000.

Since the Agency received its full RPTTF distribution for the July through December 2014 period, the items noted above had available funding. The adjustments above resulted in an increased the PPA from \$13,394 to \$40,603; therefore, the amount of RPTTF approved in the table below reflects the PPA self-reported by the Agency adjusted by Finance.

In addition, Finance noted the following during our review:

- On the ROPS 15-16A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:
 - Reserve Balances totaling \$674,517 for Item No. 92 – 2001&2009 Tax Allocation Bonds

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 15-16A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 15-16A ensures that authorization is consistent with expenditures for the approved enforceable obligations. As these Reserve Balances were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,841,032 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	1,758,882
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,883,882
Total RPTTF requested for non-administrative obligations	1,758,882
<u>Denied Item</u>	
Item No. 99	(12,247)
	(12,247)
Total RPTTF authorized for non-administrative obligations	\$ 1,746,635
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 88	10,000
Total RPTTF authorized for administrative obligations	\$ 135,000
Total RPTTF authorized for obligations	\$ 1,881,635
Self-reported ROPS 14-15A prior period adjustment (PPA)	(13,394)
Finance adjustment to ROPS 14-15A PPA	(27,209)
Total ROPS 14-15A PPA	(40,603)
Total RPTTF approved for distribution	\$ 1,841,032

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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.

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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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Michael Amabile, Chair, Merced Designated Local, City of Merced Designated Local Authority
Ms. Sylvia Sanchez, Supervising Accountant, Merced County
California State Controller's Office