DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 16, 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) (1) (A), the City of Merced Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 5, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 10 – Merced Center Remediation in the amount of $210,000 is partially allowed. Based on the proposal provided, the Agency requested the 2016 calendar year amount for the six-month ROPS 15-16B period. During the review, the Agency agreed the full amount was not required for the ROPS 15-16B period. Therefore, with the Agency's concurrence, funding authorization has been decreased to $140,000 for the ROPS 15-16B period and the excess $70,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 94 - DLA Administrative Costs. Claimed administrative costs exceed the allowance by $10,000. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or $250,000, whichever is greater. The Merced County Auditor-Controller distributed $135,000 for the July through December 2015 period, thus leaving a balance of $115,000 available for the January through June 2016 period. Although $125,000 is claimed for administrative cost, only $115,000 is available pursuant to the cap. Therefore, $10,000 of excess administrative cost is not allowed

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

In addition, Finance noted the following during our review:

- On the ROPS 14-15B Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:
    - Item No. 73 – Legal Counsel, Bond Proceeds, $35,469

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 up to the amount authorized by Finance. 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 items denied in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 $2,696,915 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		2,681,175
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**2,806,175**
Total RPTTF requested for non-administrative obligations		**2,681,175**
Denied Item		
Item No. 10		(70,000)
Total RPTTF authorized for non-administrative obligations	**$**	**2,611,175**
Total RPTTF requested for administrative obligations		**125,000**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(10,000)
Total RPTTF authorized for administrative obligations	**$**	**115,000**
Total RPTTF authorized for obligations	**$**	**2,726,175**
ROPS 14-15B prior period adjustment		(29,260)
Total RPTTF approved for distribution	**$**	**2,696,915**

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	1,746,635
Total RPTTF for 15-16B (January through June 2016)	2,611,175
Total RPTTF for fiscal year 2015-2016	**4,357,810**
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or $250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(135,000)
Remaining administrative cost cap for ROPS 15-16B	**115,000**
ROPS 15-16B administrative obligations after Finance adjustments	125,000
Administrative costs in excess of the cap	**$ (10,000)**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, 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