



April 13, 2016

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

Dear Ms. Gonzalez:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Soledad Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 1 – 1998 Tax Allocation Bonds (TAB) in the amount of \$486,405 funded with Redevelopment Property Tax Trust Fund (RPTTF) and Reserve Balances for the ROPS 16-17 period. Per discussion with Agency staff and review of the documentation provided, the portion funded with RPTTF in the amount of \$213,009 requested for the July 1, 2016 through December 31, 2016 (ROPS A period) should be \$267,948 and the \$138,396 requested for the January 1, 2017 through June 30, 2017 (ROPS B period) should be \$125,725. As a result, RPTTF has been increased by \$54,939 for the ROPS A period and reduced by \$12,671 for the ROPS B period.
- Item No. 2 – 2007 TAB Series A in the amount of \$528,673 funded with RPTTF and Reserve Balances for the ROPS 16-17 period. Per discussion with Agency staff and review of the documentation provided, the portion funded with RPTTF in the amount of \$300,448 requested for the ROPS A period should be \$245,509 and the \$125,725 requested for the ROPS B period should be \$138,396. As a result, RPTTF has been reduced by \$54,939 for the ROPS A period and increased by \$12,671 for the ROPS B period.
- Item No. 3 – 2007 TAB Series B in the amount of \$465,722 funded with RPTTF and Reserve Balances for the ROPS 16-17 period. Per discussion with Agency staff and review of the documentation provided, the portion funded with RPTTF in the amount of \$232,681 requested for the ROPS A period should be \$233,041 and the \$148,041 requested for the ROPS B period should be \$143,260. As a result, RPTTF has been reduced by \$360 for the ROPS A period and increased by \$4,781 for the ROPS B period.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, 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.
- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source has been reclassified to Other Funds and in the amount specified below:
 - Item No. 1 – 1998 Tax Allocation Bonds in the amount of \$267,948 for the ROPS A period. The Agency requests \$267,948 of RPTTF; however, Finance is reclassifying \$128 to Other Funds. This item is an enforceable obligation for the ROPS A period; however, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$267,820 and the use of Other Funds in the amount of \$128 totaling \$267,948.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,925,047 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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

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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 Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Brent Slama, Community Development Director, City of Soledad
Ms. Julie Aguero, Auditor Controller Analyst II, Monterey County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 913,484	\$ 766,112	\$ 1,679,596
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	1,038,484	891,112	\$ 1,929,596
Adjustment to Agency Requested RPTTF			
Item No. 1	54,939	(12,671)	42,268
Item No. 2	(54,939)	12,671	(42,268)
Item No. 3	360	(4,781)	(4,421)
Total RPTTF adjustments	360	(4,781)	(4,421)
Total RPTTF requested	913,844	761,331	1,675,175
<u>Reclassified Item</u>			
Item No. 1	(128)	0	(128)
Total RPTTF authorized	913,716	761,331	1,675,047
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,038,716	886,331	\$ 1,925,047