CITY OF MONTEREY

Colton Hall, California Constitution Hall 1849

FINANCE DEPARTMENT

May 10, 2012

Ana J. Matosantos
Director
Department of Finance
915 L Street
Sacramento, CA 95814

Re: Approval of Initial and Second Recognized Obligation Payment Schedule by Oversight Board with Certain Conditions

Dear Ms. Matosantos:

On May 9, 2012 the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Monterey met for the second time and approved the initial and second Recognized Obligation Payment Schedules (ROPS) subject to certain conditions. This letter is our official notice of that approval, as required under ABx1 26, and the initial and second ROPS are attached here as Exhibits A and B, respectively.

Please note that though the Oversight Board approved both ROPS, these approvals were subject the following two conditions:

1. The obligation on Line 1 (the "Reimbursement Agreement with the City of Monterey") was not approved by the Oversight Board at this time and remains pending.
2. Approval was also contingent upon certification by the County Auditor-Controller, a process that had not yet occurred by May 9.

This information will also be sent to the State Controller and County Auditor-Controller as well as placed on the City's website.

Sincerely,

Don Rhoads, CPA
Finance Director

Encl: Exhibit A: Initial ROPS
Exhibit B: Second ROPS

Initial Recognized Obligation Payment Schedule **

Name of Redevelopment Agency: Redevelopment Agency of the City of Monterey
Project Area(s): All

	Project Name/Debt Obligation	Payee	Description	* Source of Payment	Total Outstanding Debts or Obligations	Total Due During Fiscal Year	Jan '12	Feb '12	Mar '12	Apr '12	May '12	Jun '12	Total
1	Reimbursement Agreement with City of Monterey **(NOTE: This line item was not approved by the Oversight Board and remains pending) ** **	City of Monterey	Payments on debt owed to City from the net available property tax revenue each year.	(C)	$131,895,613	$5,030,810				$1,953,406		$192,971	$2,146,377
2	Residential Purchase Agreement	Moyses and Dora Camacho	5/31/11 contract for 595 English Avenue	(A)	227,044	227,044		227,044					227,044
	PO 39601	01746 MONTEREY COUNTY AIDS PROJECT	Provide rental assistance	(A)	5,000	5,000						5,000	5,000
3	PO 38822	15598 BAE URBAN ECONOMICS INC	Prepare financing plan for North Fremont	(A)	7,268	7,268						7,268	7,268
4	Employee Costs	Employees of City allocated to agency	Payroll costs for Wages and Benefits	(B)	151,892	151,892	18,672	7,972	7,972	7,972	7,972	7,972	58,532
5	Budgeted FY12 Admin & Op Exp	Various Vendors	Office Supplies	(A)	3,250	3,250	542						542
6	Budgeted FY12 Admin & Op Exp	Various Vendors	Printing and Postage	(A)	2,386	2,386	398						398
7	Budgeted FY12 Admin & Op Exp	Various Vendors	Operating Supplies	(A)	1,750	1,750	292						292
8	Budgeted FY12 Admin & Op Exp	Various Vendors	Dues and Publications	(A)	2,787	2,787	464						464
9	Budgeted FY12 Admin & Op Exp	Various Vendors	Travel and Meetings	(A)	2,169	2,169	361						361
10	Budgeted FY12 Admin & Op Exp	Various Vendors	Advertising Services	(A)	1,884	1,884	314						314
11	Budgeted FY12 Admin & Op Exp	Various Vendors	Training Services	(A)	2,750	2,750	458						458
12	Budgeted FY12 Admin & Op Exp	Various Vendors	Professional Services	(A)	35,361	35,361	5,893						5,893
13	City provided info Tech Services	City of Monterey	Information Services	(A)	10,330	10,330	1,722						1,722
14	City General Overhead	City of Monterey	Administrative Support	(A)	8,009	8,009	1,335						1,335
16	Estimated Admin & Op Exp	City of Monterey	Estimated operating and admin costs.	(B)	210,140	210,140		42,028	42,028	42,028	42,028	42,028	210,140
17	Monterey Hotel Mixed-Use Apartment Project at 406 Alvarado Street.	City of Monterey	Complete Monterey Hotel Mixed-Use Apartment Project at 406 Alvarado Street. This obligation is appropriate and necessary so that the RDA can fund construction and management activities because it is required pursuant to provisions in the executed loan agreements to preserve the asset and minimize liabilities related to the property that is security for the loan.	(A)	1,300,000	1,300,000						1,300,000	1,300,000
18	Construction Loan Agreement between The Redevelopment Agency of the City of Monterey (Lender) and PRI, LLC (Borrower) for construction of Monterey Hotel Mixed-Use Project containing eighteen (18) low and moderate income apartments at 406 Alvarado Street	City of Monterey	Original loan amount $3,000,000.00. $542,333.20 remaining as unreleased funds in escrow with Rabobank. Unreleased funds remain as a result of PRI, LLC default and project placed into receivership. Funds are necessary to ensure that Successor Housing Agency can continue to protect the Lender's security, consistent with loan disbursement procedures	(D)	542,333	542,333				22,000		520,333	542,333
19	Low income housing units which must be replaced in RDA inventory	City of Monterey	Funds received from prior year sale of Ocean Harbor House units (received funds less Monterey Hotel costs). These funds are an appropriate and necessary obligation because Health and Safety Code Section 33413 requires that the units be replaced.	(A)	2,037,606	2,037,606						2,037,606	2,037,606
20	Deferred payments to Low and Moderate Income Housing Fund	City of Monterey	The Custom House Project Area deferred its 20% set aside into the Housing Fund during fiscal years 1985/86 through 1992/93. The reimbursement of this deferral is still an appropriate and necessary obligation to the Housing Fund.	(C)	1,472,383	1,472,383						1,472,383	1,472,383
			Total Initial Recognized Obligation Payment Schedule (approved May 9, 2012):		$137,919,955	$11,055,152	$30,451	$277,044	$50,000	$2,025,406	$50,000	$5,585,561	$8,018,462

*** Source of Payment Ledgend:** **(A): Low and Moderate Income Housing Fund; (B): Successor Agency Administrative Allowance; (C): Redevelopment Property Tax Trust Fund; (D): Other sources**

**** NOTE: On May 9, 2012 the Oversight Board approved the initial Recognized Obligation Payment Schedule, except for line 1 (which remains pending) and contingent upon certification by the County Auditor-Controller (which had not yet occurred by that date).**

Second Recognized Obligation Payment Schedule **

Name of Redevelopment Agency: Redevelopment Agency of the City of Monterey
Project Area(s): All

	Project Name/Debt Obligation	Payee	Description	* Source of Payment	Total Outstanding Debts or Obligations	Total Due During Fiscal Year 2012-13	Jul '12	Aug '12	Sep '12	Oct '12	Nov '12	Dec '12	Total
1	Reimbursement Agreement with City of Monterey **(NOTE: This line item was not approved by the Oversight Board and remains pending) **	City of Monterey	Payments on debt owed to City from the net available property tax revenue each year.	(C)	$131,895,613	$5,131,426						$2,942,122	$2,942,122
2	Estimated Admin & Op Exp	City of Monterey	Estimated operating and admin costs.	(B)	250,000	250,000	20,833	20,833	20,833	20,833	20,834	20,834	125,000
3	Monterey Hotel Mixed-Use Apartment Project at 406 Alvarado Street.	City of Monterey	Complete Monterey Hotel Mixed-Use Apartment Project at 406 Alvarado Street. This obligation is appropriate and necessary so that the RDA can fund construction and management activities because it is required pursuant to provisions in the executed loan agreements to preserve the asset and minimize liabilities related to the property that is security for the loan.	(A)	1,300,000	1,300,000						1,300,000	1,300,000
4	Construction Loan Agreement between The Redevelopment Agency of the City of Monterey (Lender) and PRI, LLC (Borrower) for construction of Monterey Hotel Mixed-Use Project containing eighteen (18) low and moderate income apartments at 406 Alvarado Street	City of Monterey	Original loan amount $3,000,000.00. $542,333.20 remaining as unreleased funds in escrow with Rabobank. Unreleased funds remain as a result of PRI, LLC default and project placed into receivership. Funds are necessary to ensure that Successor Housing Agency can continue to protect the Lender's security, consistent with loan disbursement procedures	(D)	520,333	520,333						520,333	520,333
5	Low income housing units which must be replaced in RDA inventory	City of Monterey	Funds received from prior year sale of Ocean Harbor House units (received funds less Monterey Hotel costs). These funds are an appropriate and necessary obligation because Health and Safety Code Section 33413 requires that the units be replaced.	(A)	2,037,606	2,037,606						2,037,606	2,037,606
6	Deferred payments to Low and Moderate Income Housing Fund	City of Monterey	The Custom House Project Area deferred its 20% set aside into the Housing Fund during fiscal years 1985/86 through 1992/93. The reimbursement of this deferral is still an appropriate and necessary obligation to the Housing Fund.	(C)	1,472,383	1,472,383						1,472,383	1,472,383
	Total Second Recognized Obligation Payment Schedule (approved May 9, 2012):				$137,475,935	$10,711,748	$20,833	$20,833	$20,833	$20,833	$20,834	$8,293,278	$8,397,444

*** Source of Payment Ledgend:** **(A): Low and Moderate Income Housing Fund; (B): Successor Agency Administrative Allowance; (C): Redevelopment Property Tax Trust Fund; (D): Other sources**

**** NOTE: On May 9, 2012 the Oversight Board approved the second Recognized Obligation Payment Schedule, except for line 1 (which remains pending) and contingent upon certification by the County Auditor-Controller (which had not yet occurred by that date).**