



December 18, 2012

Mr. Jeff Crechriou, Management Analyst
City of Marina
211 Hillcrest Avenue
Marina, CA 93933

Dear Mr. Crechriou:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Marina Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 2012. 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 November 20, 2012.

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. 8 – Dunes Development and Disposition Agreement (DDA) Affordable Housing Cost Reimbursement in the amount \$50,713,235 payable from the Redevelopment Property Tax Trust Fund (RPTTF). Finance continues to deny the item. Finance denied the item as the agreement provided states that the Agency will pay cost reimbursements to the developer from the available Low and Moderate Income Housing Fund (LMIHF). The requirement to set aside 20 percent of redevelopment agency (RDA) tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. Because there no longer are such taxes allocated to the Agency, there is no payment obligation. The Agency contends the item is an enforceable obligation because the DDA entered into May 31, 2005. The DDA requires the former RDA to provide financial assistance to Marina Community Partners (MCP) for the development of affordable housing units. On August 5 2008, the former RDA entered into the Tax Increment Financing Plan and Agreement, which implements the provisions of the DDA and specifically pledges the former RDA's funds to pay MCP the amounts owed in the DDA. However, the DDA pledges available LMIHF funds and LMIHF funds are no longer available as the requirement to set aside 20 percent has ended and all funds in the LMIHF have been distributed to the affecting taxing entities. Therefore, the item is not an enforceable obligation.

- Finance no longer reclassifies Items 10 and 28 as administrative costs; however, Finance continues to reclassify the remaining items as administrative costs. The following items were reclassified as administrative costs:
 - Item No. 10—Financial and Real Estate Advisory Services in the amount of \$12,500.
 - Item No. 11—City Attorney Legal Services in the amount of \$5,000.
 - Item No. 12—Redevelopment Legal Counsel in the amount of \$7,500.
 - Item No. 13—Lease of Office Space in the amount of \$35,800.
 - Item No. 14—Sale and Use Tax Audit and Reporting Services in the amount of \$2,250.
 - Item No. 15—Website Hosting Services in the amount of \$4,680.
 - Item No. 16—Phone and Communication Services in the amount of \$1,210.
 - Item No. 17—Copier Maintenance in the amount of \$3,740.
 - Item No. 18—Alarm System Services in the amount of \$460.
 - Item No. 19—Accounting Services in the amount of \$7,000.
 - Item No. 20—Accounting Services in the amount of \$6,200.
 - Item No. 23—Employee Costs in the amount of \$115,000.

Although the reclassifications increased administrative costs to \$221,340, the administrative cost allowance has not been exceeded. Items 11 through 20, 23, 28, and \$12,500 of Item 10 do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

- Any litigation expenses related to assets or obligations.
- Settlements and judgments.
- The costs of maintaining assets prior to disposition.
- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Item 28 and \$50,000 of Item 10 are related to the performance of the Due Diligence Reviews and the preparation of the Long-Range Property Management Plan. The items are related to costs required per ABx1 26 and AB 1484. Therefore, the items are enforceable obligations outside of the administrative cap.

Additionally, the Agency requested Item 10 be increased from the requested \$12,500 to the \$62,500 budgeted in the contract for the preparation of the Long-Range Property Management Plan. Finance made the change in the ROPS and increased the requested administrative costs and RPTTF accordingly.

In addition, per Finance's ROPS letter dated October 19, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 25 – Affordable Housing Monitoring, Compliance and Reporting in the amount of \$940,175 payable from RPTTF. HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs. Therefore, this item is not an enforceable obligation.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$666,120 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 911,445
Less: Six-month total for items denied or reclassified as administrative cost	
Item 8	275,000
Item 11*	5,000
Item 12*	7,500
Item 13*	35,800
Item 14*	2,250
Item 15*	4,680
Item 16*	1,210
Item 17*	3,740
Item 18*	460
Item 19*	7,000
Item 20*	6,200
item 23*	115,000
Item 25	2,825
Total approved RPTTF for enforceable obligations	\$ 444,780
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	221,340
Total RPTTF approved:	\$ 666,120

*Reclassified as administrative costs

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Mr. Jeff Crechriou
December 18, 2012
Page 4

Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Julie Aguero, Auditor Controller Analyst II, County of Monterey
California State Controller's Office