



October 11, 2012

Ms. Melissa Westerdoll, Staff Services Analyst
Merced County
2507 Heritage Drive
Atwater, CA 95301

Dear Ms. Westerdoll:

Subject: Recognized Obligation Payment

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Merced County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedules (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period January to June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation:

Item No. 1 – Water Meter/Backflow Preventer Loan in the amount of \$494,915. HSC section 34171(d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations. The cooperative agreement provided between the redevelopment agency (RDA) and the Merced County (County) does not specify the projects and amounts. Furthermore, the services agreement provided was between the County and a third party, not the RDA. Finally, a loan agreement was not provided to establish the item as an enforceable obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Although the following items were reclassified as administrative cost, the administrative cost allowance has not been exceeded:

- Item No. 2 – Cost Plan Charges of \$8,811
- Item No. 3 – Successro Agency Administrative Cost of \$1,435

Except for the item denied in whole or in part as enforceable obligaitons as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 \$10,246 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 19,057
Less: Six-month total for items denied or reclassified as administrative cost	
Item 1	8,811
Item 2 *	8,811
Item 3 *	1,435
Total approved RPTTF for enforceable obligations	0
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	10,246
Total RPTTF approved:	\$ 10,246

*Reclassified as administrative cost

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Mark Hendrickson, Director, County of Merced
Ms. Sylvia Sanchez, Supervising Accountant, County of Merced