DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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December 18, 2012

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

Dear Ms. Westerdoll:

Subject: Recognized Obligation Payment

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 11, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Merced Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 11, 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 21, 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 item being disputed.

- Item No. 1 – Water Meter/Backflow Preventer Loan in the amount of $494,915. Finance continues to deny the item at this time. 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 any projects or amounts. Moreover, no information provided demonstrated that loans or advances occurred within the first two years of the RDAs establishment, which was in 2003. We do note that based on the resolutions provided a $500,000 loan was made in 2007 from the County to the RDA. Per HSC section 34191.4 (b), upon obtaining a Finding of Completion from Finance, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided the oversight board makes a finding the loan was for legitimate redevelopment purposes.

In addition, per Finance's determination letter dated October 15, 2012, the following items were reclassified as administrative cost and was not disputed by the Agency:

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

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.

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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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
California State Controller's Office