



December 18, 2012

Mr. Don Rhoads, Finance Director
City of Monterey
735 Pacific Street
Monterey, CA 93940

Dear Mr. Rhoads:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Monterey Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 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 5, 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. 5 – Funds reserved to meet the former RDA's housing obligations in the amount of \$2,037,606 from the Low and Moderate Income Housing Fund. Finance continues to deny this item. Obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, Health & Safety Code section 34176 requires that, "all rights, powers, duties, obligations and housing assets,shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of statutory obligations to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency is directly contrary to the wind down directive in ABx1-26/AB1484. Additionally, there are no contracts in place to demonstrate that LMIHF funds were encumbered prior to June 27, 2011. Per HSC section 34177 (d), all unencumbered balances in the LMIHF shall be remitted to the county auditor for distribution to the taxing entities.

In addition, per Finance's ROPS letter dated October 8, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 1 – Reimbursement Agreement with the City of Monterey in the amount of \$132 million, no funding source identified. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the

redevelopment agency (RDA) and the former RDA are not enforceable. Therefore, this item is not an enforceable obligation at this time. 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$125,000 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations*	0
Less: Six-month total for item(s) denied or reclassified as administrative cost	0
Total approved RPTTF for enforceable obligations	0
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	\$ 125,000

* No RPTTF funding requested for the reporting period

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: On following page

Mr. Don Rhoads
December 18, 2012
Page 3

cc: Mr. Rick Marvin, Housing & Property Manager
Ms. Julie Aguero, Auditor Controller Analyst II
California State Controller's Office