



December 18, 2012

Mr. Matt Pressey, Finance Director
City of Salinas
200 Lincoln Ave
Salinas, CA 93901

Dear Mr. Pressey:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 9, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Salinas Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 27, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 9, 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 30, 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. 3 – Monterey Street Parking Garage project in the amount of \$24.3 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that create the redevelopment agency (RDA) and the former RDA are not enforceable. The Cooperation and Reimbursement Agreement (Agreement) is between the City of Salinas (City) and the RDA; therefore, the item is not an enforceable obligation. The Agency contends the item is an enforceable obligation because the agreement was entered into as part of the 2004 Certificates of Participation (COPs) and the RDA tax increment is security for the debt. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Although the Agreement is solely for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations. The Agreement was entered into September 24, 2002, and the COPs were dated December 1, 2003. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is denied.

- Item No. 19 – City Data Services contract in the amount of \$40,950. Finance continues to deny the item. Finance denied the item as the contract is between the City and the vendor and not the former RDA. The Agency contends the item is an enforceable obligation because the costs for this service are direct charges to the Agency for ongoing RDA housing compliance monitoring. However, the contract is between the City and the vendor and not the former RDA. Since the former RDA is not a party to the contract or responsible for payment of the contract, this item is not an enforceable obligation.
- Item No. 20 – Oversight Board Legal Representation in the amount of \$195,000 was reclassified as an administrative cost. Finance continues to reclassify the item as an administrative cost. The Agency contends the item is an enforceable obligation because it is eligible to be a separate enforceable obligation under HSC section 34177.3 (b). HSC section 34171 (b) allows litigation expenses related to assets or obligations to be funded with property tax outside the administrative cap. However, Item 20 relates to general legal representation and not specifically to bringing or contesting a legal action in court; therefore, it is considered an administrative cost. Although this reclassification increased administrative costs to \$15,000, the administrative cost allowance has not been exceeded for fiscal year 2012-13.

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,555,703 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$2,647,566
Less: Six-month total for item reclassified as administrative cost	
Item 3	1,090,288
Item 19	1,575
Item 20*	15,000
Total approved RPTTF for enforceable obligations	<u>\$1,540,703</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>15,000</u>
Total RPTTF approved:	\$1,555,703

* 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.

Mr. Matt Pressey
December 18, 2012
Page 3

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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Mr. Don Reynolds, Project Manager, City of Salinas
Ms. Julie Aguero, Auditor Controller Analyst II, County of Monterey
California State Controller's Office