



County of San Diego

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1600 PACIFIC HIGHWAY STE 166, SAN DIEGO, CALIFORNIA 92101-2478

TRACY M. SANDOVAL
ASST. CHIEF FINANCIAL OFFICER/
AUDITOR & CONTROLLER
(619) 531-5413
FAX (619) 531-5219

July 9, 2012

Rachel Hurst
City of Coronado
1825 Strand Way
Coronado, CA 92118

Dear Ms. Hurst:

DEMAND FOR PAYMENT PURSUANT TO AB 1484

Pursuant to Health and Safety (H&S) Code Section 34183.5(b)(2)(A), our office has determined the residual balance that your agency must remit for allocation to affected taxing entities no later than **July 12, 2012**, is as follows:

Tax Increment (Nov 2011 to Jan 2012)	\$8,184,269.69
Service Fee	(\$7,291.63)
Pass-through payment	-
DOF approved Max RPTTF (Exhibit 12 column E)	(\$5,786,714.00)
Residual Balance	\$2,390,264.06

The DOF approved RPTTF amount above is based on Exhibit 12 as updated on July 6, 2012 at 5:00 p.m. Our office will send a revised letter if the DOF makes any revisions to Exhibit 12.

We will accept remittances via wire transfer (wiring instructions attached) or a warrant. Please notify us immediately which payment method your agency will utilize. If your agency chooses to send a warrant, please send it to the address below and also send an electronic copy of the warrant to PTS.FGG@sdcounty.ca.gov.

Please send warrant to:

County of San Diego
Auditor and Controller
Property Tax Services
1600 Pacific Highway, Room 077
San Diego, CA 92101-2478

Demand for Payment Pursuant to AB 1484
Page Two
July 9, 2012

Please be advised that in accordance with H&S 34183.5(b)(2)(C), failure to make this payment by **July 12, 2012** will result in civil penalties for your agency and the City. Additionally, if full payment is not received by July 12, 2012, your agency is prohibited from making payments for obligations, other than bond debt service; and the City will not receive its distribution of sales and use tax beginning July 18, 2012.

If you have any questions, please contact Nenette de Jesus or Juan Perez of Property Tax Services at (619) 531-5399.

Sincerely,

A handwritten signature in black ink, appearing to read "Tracy M. Sandoval". The signature is fluid and cursive, with the first name "Tracy" being the most prominent.

TRACY M. SANDOVAL
Auditor and Controller/Assistant Chief Financial Officer

PTS:JP:ge

Attachment



July 11, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

As part of our ongoing effort to work with Successor Agencies on the implementation of Assembly Bill 26, First Extraordinary Session (ABx1 26), the Department of Finance (Finance) would like to advise you of several new responsibilities and deadlines implemented by the recently enacted Assembly Bill 1484 (AB 1484, Chapter 26, Statutes of 2012). Specifically, AB 1484 establishes a catch-up process for revenues distributed in 2011-12. Going forward, AB 1484 expands the review time and creates a meet-and-confer process for future substantial's and processes. The measure also establishes incentives for compliance and penalties for noncompliance effective July 2012. These changes are described below, and Finance's website will continue to be updated to provide the most current information available.

2011-12 Catch-Up Process

AB 1484 establishes a catch-up process for the distribution of 2011-12 property taxes associated with the dissolution of redevelopment agencies. The timeline is short to ensure that the allocation of last year's revenues is quickly resolved.

- By July 9, 2012, county auditor-controllers must calculate the amount of residual property tax revenue that Successor Agencies owe to cities, counties, special districts, and K-14 schools (collectively known as Affected Taxing Entities) for the period covered by the January 2012 through June 2012 Recognized Obligation Payment Schedule (ROPS). These calculations are based on the information reported by the Successor Agencies on the January 2012 through June 2012 ROPS.
- By July 12, 2012, Successor Agencies must remit to the county auditor-controller the residual property tax revenue identified in the aforementioned billing.
- By July 16, 2012, county auditor-controllers must distribute to the Affected Taxing Entities the residual property tax revenue remitted by the Successor Agencies.

2012-13 and Future Processes

AB 1484 extends the time available for Finance to review Successor Agency submittals. In addition, for each submittal, it creates the option of a meet-and-confer process for Agencies to appeal Finance decisions beginning with the first deliverable for 2012-13. These new procedures will provide significantly more opportunities to discuss the specific details of each Agency's submittals.

- By August 1, 2012, Housing Successor Agencies must provide Finance a list of all housing assets transferred to it by the Successor Agency since February 1, 2012. A template for Housing Successor Agencies to use in reporting this information will soon be posted on the Finance website. AB 1484 provides Finance 30 days to review the list, and to question any transfers.

- By September 1, 2012, Successor Agencies must provide Finance with an Oversight Board-approved ROPS covering the January 2013 through June 2013 period. Finance will have 45 days to review the ROPS, and to object to any items that do not meet the definition of an Enforceable Obligation.
- By October 1, 2012, Successor Agencies must provide Finance an Oversight Board-approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered low-and-moderate income housing fund (low-mod fund) assets, and will state whether or not those assets are encumbered by Enforceable Obligations. Finance has until November 9, 2012 to finalize its review of the submittals, and to determine which low-mod fund assets are not encumbered by Enforceable Obligations.
- By January 15, 2013, Successor Agencies must provide Finance a second Oversight Board-approved Due Diligence Review that has been prepared by a licensed accountant. This Due Diligence Review will list all encumbered and unencumbered assets of the Successor Agency that are from sources other than the low-mod fund. The Due Diligence Review also will state whether or not those assets are encumbered by Enforceable Obligations. Finance has until April 1, 2013 to finalize its review of the submittals, and to determine which assets are not encumbered by Enforceable Obligations.

Incentives and Penalties

Once a Successor Agency has complied with the July payment process and the asset transfer provision, AB 1484 provides certain benefits to the Successor Agencies, and also to the cities and counties that operate those Agencies. These benefits are as follows:

- The city or county may be eligible to receive repayment of sums loaned to their former redevelopment agency (RDA) more than two years after the former RDA was created. Under ABx1 26, loans made by a city or county to its former RDA more than two years after it was created are generally ineligible for repayment.
- The city or county may be eligible to receive title to certain real properties of the former RDA, and use those properties for purposes outlined in the redevelopment plan of the former RDA. Under ABx1 26, those real properties must be liquidated, with the sales proceeds distributed to the Affected Taxing Entities.
- The Successor Agency may be eligible to use for their intended purpose the proceeds from certain bonds that were not contractually obligated before ABx1 26 was enacted. Under current law, those bond proceeds only can be used to defease the bonds.

To help ensure that counties, cities, special districts, schools, and community colleges are receiving the appropriate level of revenues, AB 1484 allows strict civil penalties to be imposed if Successor Agencies fail to remit revenues on time. These civil penalties are as follows:

- The city or county that operates the Successor Agency shall be subject to civil penalties equal to: (a) 10 percent of the residual property tax owed the Affected Taxing Entities and (b) a monthly penalty of 1.5 percent of the amount owed the Affected Taxing Entities while the payments are late.

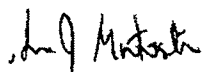
- The Successor Agency itself shall be subject to civil penalties equal to: (a) 10 percent of the residual property tax owed the Affected Taxing Entities and (b) a monthly penalty of 1.5 percent of the amount owed the Affected Taxing Entities while the payments are late.

The Successor Agency also would be prohibited from making any future ROPS payments while the owed amount is outstanding, other than those ROPS payments needed for bond debt service.

- The city or county that operates the Successor Agency shall be subject to interruption of their monthly Sales and Use Tax remittance from the Board of Equalization until the owed amounts are paid.

We hope this information is helpful. If you have follow up questions, you can reach Finance at (916) 445-1546.

Sincerely,



ANA MATOSANTOS
Director

cc: County Auditor-Controllers

icc: REYES, COHEN, ROCKWELL, JERUE, SHELTON, C. HILL, MONROE, STACY, FILE

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Process_v2.docx



July 12, 2012

TO REDEVELOPMENT SUCCESSOR AGENCY REPRESENTATIVES

Subject: Request to Revise Recognized Obligations Payment Schedules and Requests for Reconsideration

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the California Department of Finance (Finance) has completed its review of Recognized Obligation Payment Schedules (ROPS) for the periods January through June 2012 and July through December 2012 and issued approval letters accordingly.

All distributions from the Redevelopment Property Tax Trust Fund (RPTTF) were required by law to be made on June 1, 2012 covering obligations for July 2012 through December 2012, as well as adjusting for property tax funding needs for the January through June 2012 period.

Pursuant to section 34183.5 (b)(2)(A), the county auditor-controller had to determine the amount, if any, that is owed by each successor agency to taxing entities based on ROPS approved by the Department. Therefore, the RPTTF amounts approved by Finance (as shown in Exhibit 12 at http://www.dof.ca.gov/assembly_bill_26-27/view/php) will remain final. Although we have continued to work diligently with each successor agency to review additional information and/or documentation related to disputed ROPS items, we are no longer accepting revised ROPS or requests to reconsider denied items nor making any revisions to existing requests. Any and all revised ROPS submitted to Finance for previous ROPS periods are hereby rejected. Requests to reconsider denied or disputed ROPS items will be addressed in our January through June 2013 ROPS review.

Please send any inquiries by email to: Redevelopment_Administration@dof.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristin Shelton", is written over a horizontal line.

KRISTIN SHELTON
Program Budget Manager

cc: County Auditor-Controllers



1400 K Street, Suite 400 • Sacramento, California 95814
Phone: 916.658.8200 Fax: 916.658.8240
www.cacities.org

Major Provisions of AB 1484¹

1. **Three payments:** Successor agency must make three payments:

- July 12: Taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency
- November 28: Low-Moderate Income Housing Fund
- April 10: Unencumbered cash

In addition to these three payments, if a successor agency did not make complete 2011-12 pass-through payments, amount of payment not made will be deducted from property tax distribution from auditor-controller.²

2. **New audit by October 1:** Successor agency must retain licensed accountant to audit books:³

- Audit of LMIHF
- Audit of cash assets
- Audit of cash transfers to public agencies and private parties⁴

3. **New penalties:**

- Failure to make July 12 payment: successor agency subject to civil penalty of 10% of the amount owed plus 1.5% of the amount owed for each month that payment is not made unless DOF finds that payment of penalty will jeopardize payment of enforceable obligations. Until payment is made,

¹ This initial Draft summary of AB 1484 was prepared by the League's Special Counsel, Betsy Strauss, on June 28, 2012, with the objective of providing something quickly to city officials. The League will continue to refine this analysis with the assistance of its RDA Attorney Working Group and other city officials.

² Additional information about these payments is found in the Appendix.

³ Agreed-upon procedures audit completed by auditor-controller can substitute for the licensed accountant audit if it includes all statutory requirements

⁴ Successor agency must attempt to recover cash transferred to public agency without an enforceable obligation.

successor agency may only pay bond debt. City subject to same civil penalty. City will not receive July 18 sales tax payment (up to amount owed).⁵

- Failure to transfer LMIHF funds: Offset of city sales tax or property tax of the amount required to be transferred⁶
- Failure to transfer cash assets: Offset of city sales tax or property tax of the amount required to be transferred⁷
- Failure to recover cash transferred to local agency without enforceable obligation: Offset of sales tax or property tax of the local agency to which the cash was transferred.⁸
- Failure to submit ROPS by September 1, 2012 and subsequent deadlines: City to pay civil penalty of \$10,000 per day for each day beyond deadline

4. Safe Harbor: Finding of Completion⁹

The Department of Finance will issue a finding of completion to a successor agency that pays the following amounts:

- ✓ The amount determined in the audit of the LMIHF¹⁰
- ✓ The amount determined in the audit of all other funds¹¹
- ✓ The amount (if any) owing to taxing entities from the December 2011 property tax payment¹²

The following applies to a successor agency that is issued a finding of completion:

- ✓ Loan agreements entered into between the redevelopment agency and the city are deemed to be enforceable obligations if oversight board makes a finding that loan was for legitimate redevelopment purposes. As enforceable obligations, payments are listed on ROPS¹³.

Repayments of loans may not begin prior to 2013-14 fiscal year at maximum amount described in statute. Repayment amounts received by city must first be used to retire outstanding amounts borrowed and owed to LMIHF of the

⁵ Section 34183.5(b)(2)

⁶ Section 34179.6(h)

⁷ Section 34179.6(h)

⁸ Section 34179.6(h); see, also 34179.8

⁹ Section 34191.1.

¹⁰ Section 34179.6

¹¹ Section 34179.6

¹² Section 34183.5

¹³ DOF continues to retain final authority to approve items listed on ROPS.

former redevelopment agency for purposes of the SERAF payment. 20% of loan repayment amount must be transferred to LMIH Asset Fund.¹⁴

- ✓ Bond proceeds derived from bonds issued on or before 12/31/10 shall be used for the purposes for which the bonds were sold. Proceeds which cannot be spent consistent with bond covenants shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.¹⁵ Use of bond proceeds listed on ROPS.¹⁶
- ✓ Real property assets: In lieu of the provisions of AB 26 which require disposal of real property assets at the direction of the oversight board, successor agency prepares a long-range property management plan and submits to oversight board and DOF for approval. Permissible uses of property include retention for governmental use; retention for future development; sale of property; use of the property to fulfill enforceable obligations. If plan directs use or liquidation of property for a project identified in an approved redevelopment plan, the property shall transfer to the city. No transfers until plan approved by oversight board and DOF.¹⁷
- ✓ Statute of Limitations: The longer statutes of limitations (2 years) to challenge actions of the former redevelopment agencies do not apply.¹⁸

5. New Power of State Controller¹⁹

AB 1484 directs the Controller to review the activities of successor agencies to determine whether an asset transfer occurred after January 31, 2012, between the successor agency and the city or county that created the redevelopment agency, or any other public agency that was not pursuant to an enforceable obligation on an approved ROPS. The Controller is directed to order the assets returned to the successor agency. "City" is defined very broadly to include any entity which is controlled by the city or for which the city is financially responsible or accountable.²⁰

6. Increase in authority for Department of Finance

- DOF may eliminate or modify any item on an oversight board-approved ROPS. The auditor-controller must distribute property tax in accordance with changes made to the ROPS by DOF. If successor agency disputes DOF

¹⁴ 34191.4(b)(2).

¹⁵ 34191.4(c)

¹⁶ DOF continues to retain final authority to approve items listed on ROPS.

¹⁷ Section 34191.5

¹⁸ Section 33500, 33501

¹⁹ Section 34178.8

²⁰ Section 34167.10. AB 26 directed the State Controller to review asset transfers from redevelopment agencies to the city or county that created the agency that occurred after January 1, 2011. If the city or county was not contractually committed to a third party for the expenditure or encumbrance of those assets, the Controller was directed to order the return the assets to the redevelopment agency or successor agency.

action, disputed item may be carried on ROPS. If dispute resolved in favor of successor agency in the future, the past allocation of property tax to the successor agency is not changed nor is a “liability” created for any affected taxing entity.²¹

- DOF may review and object to oversight board actions approving (1) establishment of new repayment terms for outstanding loans; and (2) setting aside amounts in reserves as required by bond indentures, and similar documents²²

7. New restrictions on authority of Successor agency

- No new enforceable obligations except (1) as specifically authorized by the statute; (2) in compliance with enforceable obligations that existed prior to June 28, 2011; or (3) to hire staff, acquire professional services and procure insurance.²³
- May not transfer revenues or powers to any other public or private party except pursuant to enforceable obligation on an approved ROPS. Any such transfer of authority or revenues are “void” and successor agency required to reverse transfers. Controller may audit and order return of transfers of authority or revenues.²⁴
- Actions taken by redevelopment agencies pursuant to VARP (Voluntary Alternative Redevelopment Program in AB 27) are “ultra vires” and do not create enforceable obligations.²⁵
- If successor agency exercised power to reenter into agreements with city (section 34178) and agreement was approved by oversight board but rejected by DOF, successor agency and oversight board may not act to restore funding for the reentered agreement.²⁶
- No reestablishment of loan agreements between successor agency and city except pursuant to safe harbor provisions.²⁷

8. Miscellaneous

- City loans to successor agency: City may loan or grant funds for administrative costs, enforceable obligations or project-related expenses. Receipt and use of these funds shall be reflected on the ROPS or in the

²¹ Section 34179(h)

²² Section 34181(f)

²³ Section 34177.3(a); 34177.3(b)

²⁴ Section 34177.3(c)

²⁵ Section 34177.3(d)

²⁶ Section 34178(a)

²⁷ Section 34180(a)

administrative budget subject to oversight board approval. An enforceable obligation is created for repayment of loans.²⁸

- New Oversight Board Provisions²⁹
 - ✓ Auditor-controller may determine “largest special district”
 - ✓ Section 1090 does not apply to employee representative on oversight board
 - ✓ Oversight board members are protected by immunities applicable to public entities and public employees
 - ✓ Written notice and information about all oversight board actions must be provided to DOF by electronic means. DOF has 40 (instead of 10) days to review and approve, reject, or modify oversight board action.
 - ✓ Oversight board may direct successor agency to provide additional legal or financial advice.
 - ✓ Authorized to contract with the county or other public or private agencies for administrative support
 - ✓ On matters within its purview, decisions made by oversight board “supersede those made by the successor agency or the staff of the successor agency.”³⁰
- New authority for auditor-controller³¹: A county auditor-controller can object to an item on the ROPS or to the funding source listed for an item on the ROPS. Objections are sent to DOF to resolve.
- Polanco Act protection for successor agency: Cleanup plans and liability limits of redevelopment agency transferred to successor agency and to housing entity, upon entity’s request.³²
- Limited authority for successor agency to refinance existing debt.³³
- Successor agency is separate public entity.³⁴

Appendix – Successor Agency Required Payments/Fund Transfers

²⁸ Section 34175(h)

²⁹ Section 34180

³⁰ Section 34179

³¹ Section 34182.5

³² Section 34173(f)

³³ Section 34177.5

³⁴ Section 34173(g)

✓ **Transfer of Unencumbered Balances³⁵**

AB 26 requires that a successor agency transfer unencumbered cash balances and low and moderate income housing funds to the county auditor-controller for distribution to the taxing entities. AB 1484 requires a successor agency to retain the services of a licensed accountant to audit (1) the balance in the LMIHF; (2) the balance in other cash funds; (3) cash payments that were made in compliance with an enforceable obligation; and (4) cash transfers that were made without an enforceable obligation. In addition to transferring the balances in the LMIHF and other cash funds, a successor agency must make efforts to recover the cash transferred without an enforceable obligation.

✓ **Payment of December 2011 Taxing Entity Property Tax³⁶**

AB 26 distributes property tax through a “waterfall” of payments which includes passthrough payments, payments to successor agencies for enforceable obligations, payments to successor agencies for administrative costs, and payments to taxing entities. The waterfall for the December 2011 property tax payment did not operate as intended because of the stay imposed by the Court in *Matosantos*. The property tax payment to taxing entities was not made. AB 1484 requires successor agencies to make those payments by July 12.

✓ **Payment of 2011-12 Passthrough Payments**

Some successor agencies made 2011-12 passthrough payments and some did not. AB 1484 requires the auditor-controller to reduce property tax payments to those successor agencies that did not make pass through payments in 2011-12.

³⁵ Section 34179.5; 34179.6

³⁶ Section 34183.5

From: Catherine Hill <chill@cacities.org>
Sent: Wednesday, July 11, 2012 9:14 AM
To: Catherine Hill
Subject: LEAGUE UPDATE: Problems with July "True-Up" Residual Payments in Certain Counties
Attachments: Exhibit 12 wrong - AC_s Letter.DOC

San Diego County and Imperial County City Managers, Management Staff and City Attorneys:

Below is a memo from League Executive Director Chris McKenzie regarding continued disputes with the Department of Finance regarding former redevelopment funds. We will keep you updated on this and other information pertaining to this issue.

As always if you have questions or personal examples and information to share, please contact me as the League is gathering examples and case studies from throughout the state.

Catherine



TO: City Officials
FROM: Chris McKenzie, Executive Director
RE: Problems with July "True-Up" Residual Payments in Certain Counties

We are meeting tomorrow with the Department of Finance to address some significant problems we became aware of today (July 10) in a number of counties across the state with the July redevelopment "true-up" or residual payment that the Department of Finance directed county auditor-controllers to notify successor agencies to pay by July 12. The Santa Cruz Auditor-Controller sent the attached letter to DOF last Friday, explaining the serious problems that have arisen in that county that we understand have also occurred in San Luis Obispo, Contra Costa, San Diego, and Sonoma Counties. Different, but not yet specifically identified, problems also are reported to have occurred in Santa Clara, Kings, Solano, Placer and Tulare counties reportedly associated with how DOF has interpreted the ROPS approved for the successor agencies. There may be similar or other problems in other counties that may come to the forefront in the next day or so.

In Santa Cruz, San Luis Obispo, Contra Costa, San Diego, and Sonoma Counties, the reportedly excessive amounts directed to be paid by DOF in some cases appear to be due to the following situation:

- DOF has calculated the residual payment to = the amount of property tax distributed in December less pass through payments + administrative cost allowance + enforceable obligations **payable from the Real Property Tax Trust Fund.**
- When the December property tax payment was made, AB 26 was still stayed (or suspended). Successor agencies in these counties identified property taxes received as "reserves" or "fund balances" rather than RPTTF (since AB 26 was not in effect). Then, when these agencies completed their January - June ROPS, they listed "reserves" or "fund balances" as the source of payment for "enforceable obligations."

- Looking at these agencies' ROPS, DOF appears to have misunderstood the source of payment for enforceable obligations. DOF saw that enforceable obligations are being paid from "reserves" or "fund balances" rather than RPTTF. Therefore the "residual payments" for these agencies are much, much higher than they should be since the DOF has misunderstood the sources of payment.

NEXT STEPS:

League to Meet Tomorrow with Dept. of Finance. The League is scheduled to meet with senior officials in DOF tomorrow morning at which time we hope to learn how they believe this problem should be addressed.

What Successor Agencies Can Do if Error Has Been Made. If DOF does not provide guidance on this issue before July 12, we recommend that you:

- Notify the Department of Finance and your legislator of the error. Ask for your legislator's help.
- Consult with legal counsel and your county auditor-controller. Ask your county auditor-controller to join you disputing the amount with DOF.
- If you are convinced the evidence is clear and convincing that the residual payment amount was incorrectly calculated, consider remitting only the corrected amount to the auditor-controller with an explanation to DOF (hopefully with the auditor-controller) of the basis for the correction. Your legal counsel can best advise you how to protect your legal position in such an instance.

We will keep you posted.

Chris McKenzie
Executive Director
1400 K St., Suite 400
Sacramento, CA 95814
916-658-8275



Register online before August 13

From: Catherine Hill <chill@cacities.org>
Sent: Wednesday, July 11, 2012 2:55 PM
To: Catherine Hill
Cc: Bismarck Obando; Chris McKenzie
Subject: LEAGUE OF CALIFORNIA CITIES: URGENT: Clarification on Disputes Regarding July 12 "True-up" or Residual Payment Amounts

Importance: High

San Diego County and Imperial County Division Members:

Please see this important update from League Executive Director Chris McKenzie



TO: City Officials
FROM: Chris McKenzie, Executive Director
RE: **URGENT:** Clarification on Disputes Regarding July 12 "True-up" or Residual Payment Amounts

We appreciated the opportunity to meet with the Department of Finance earlier today to discuss concerns that some successor agencies and county auditor-controllers have raised with the July 12 True-up or residual payment calculations made by DOF in Exhibit 12 for the agency. DOF officials indicated that they believe the calculations to be correct as they were based on information provided by the successor agencies. DOF's further position is that if a successor has sufficient unencumbered reserve funds (i.e., funds not needed for DOF-approved enforceable obligations) available to make the "true-up" payment as calculated by DOF, the successor agency should make the full payment. DOF acknowledged, however, that certain agencies may have made enforceable obligation payments from the December property tax payments that were not reflected on the January—June ROPS. Moreover, DOF is aware that other payments may not have been reflected in the formally-approved ROPS.

For these and other reasons DOF staff indicated that some successor agencies may have legitimate disputes with the amount of the true-up payment calculation based on circumstances specific to the agency. While DOF believes it does not have legal authority to approve a revised ROPS, it has indicated a willingness to consider requests to adjust to the True-up payment on a case-by-case basis and to not seek penalties allowed under the law if DOF agrees with the successor agency. In order to evaluate whether to approve an adjustment, DOF will require an explanation supported with sufficient documentation to demonstrate the basis for the agency's position that the payment demand should be adjusted.

At a minimum the agency needs to provide DOF with the following documentation, preferably in conjunction with the county auditor-controller:

- Amount of former redevelopment reserve and fund balance prior to the December 2011 property tax distribution
- Amount of property taxes received in December 2011 identified as reserve or fund balance.
- Explanation and documentation of payment of enforceable obligations from reserve or fund balance using December 2011 property tax
- Current reserve and fund balance amount
- If dispute might continue, explain the likely adverse consequences if remaining reserve or fund balance must be used to fully pay true-up payment demand amount rather than, for example, DOF-approved enforceable obligations.

Agencies that dispute the true-up payment calculation should consult their attorney and coordinate with their auditor-controller in preparing the documentation and explanation to the DOF.