



April 14, 2013

Mr. John Montag, Economic Development & Housing Manager
City of Concord Successor Agency
1950 Parkside Drive
Concord, CA 94519

Dear Mr. Montag:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Concord Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 1, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 do not qualify as enforceable obligations:

- Item Nos. 2 and 3 – Lease Revenue Bonds totaling \$7,891,464. It is our understanding these items are secured solely by revenues from base rental payments to be received by the City of Concord Joint Powers Financing Authority (CJPFA) from the City of Concord (City).

Although the former redevelopment agency (RDA) desired to pledge tax increment revenues to the CJPFA in the event of failure by the City to make base rental payments, the documents provided did not indicate that the City failed to make any of the required payments. Therefore, these line items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.

- Item No. 4 – Refunding Lease Agreement in the amount of \$3,520,024. The agreement is between the City and the CJPFA. The former RDA is neither a party to the agreement nor responsible for the payment of the agreement. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Item No. 10 – Art in Public Places Project in the amount of \$221,592, payable from bond proceeds, is not an enforceable obligation at this time. HSC section 34163(b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that the contract for this line item has not yet been awarded. Pursuant to HSC section 34191.4 (c), your request to use bond funds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance and if the

bond proceeds requested for use were derived from bonds issued prior to January 1, 2011.

- Item No. 13 – Existing Affordable Housing Obligations in the amount of \$1,481,601. These administrative contracts for legal and financial consultant services are obligations of the housing entity. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.
- Claimed administrative costs exceed the allowance by \$45,451. HSC section 34171 (b) limits fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. Although \$295,451 is claimed for administrative cost, Item No. 12, for Existing Non-Housing obligations in the amount of \$142,556, is considered an administrative expense and should be counted toward the cap. Therefore, \$45,451 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,890,730 as summarized below:

| Approved RPTTF Distribution Amount For the period of July through December 2013 | |
|--|---------------------|
| Total RPTTF funding requested for obligations | \$ 3,044,565 |
| Minus: Six-month total for items denied or reclassified as administrative cost | |
| Item 2 | 500,032 |
| Item 3 | 144,604 |
| Item 4 | 57,206 |
| Item 12* | 5,000 |
| Item 13 | 5,000 |
| Total approved RPTTF for enforceable obligations | \$ 2,332,723 |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | 250,000 |
| Minus: ROPS II prior period adjustment | (691,993) |
| Total RPTTF approved for distribution: | \$ 1,890,730 |

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Carole Wilson, Finance Operations Manager
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office