

April 12, 2013

Farhad Mortazavi, Community Development Director
City of Millbrae Successor Agency
621 Magnolia Avenue
Millbrae, CA 94030

Dear Mr. Mortazavi:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Millbrae Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 27, 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 No. 8 – Pension Obligation Bonds in the amount of \$35,047. The Trust Agreement is between the City of Millbrae and Wells Fargo Bank, National Association. The former redevelopment agency (RDA) is neither a party to the agreement nor responsible for payment under the agreement. The Agency was unable to provide documentation to display the Agency's required obligation. Therefore, this item is not an enforceable obligation and is not eligible for funding on the ROPS.
- Maintenance of two properties totaling \$30,000 includes the following:
 - Item No. 11 – Supplies in the amount of \$15,000
 - Item No. 12 – Employee costs in the amount of \$15,000

The San Mateo County Auditor-Controller's review of ROPS 13-14A revealed that the estimated costs for Items No. 11 and 12 have increased 400 percent or more from the previous two ROPS periods. HSC 34171 (d) (1) (F) states that contracts or agreements necessary for the administration or operation of the successor agency, including costs of maintaining assets prior to disposition, are enforceable obligations. The Agency was unable to provide any contracts or agreements for Items No. 11 and 12. Further, the Agency was unable to provide sufficient documentation or justification to support the extraordinary increase in estimated costs. Therefore, these items are not enforceable obligations at this time and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, these Item Numbers are for two properties being maintained prior to disposition. One of the identified properties was transferred to the housing successor agency on February 1, 2012. HSC 34176 (a) (1) states if a city, county or city and county elects to retain authority to perform housing functions previously performed by the RDA, all rights, powers, duties, obligations and housing assets shall be transferred to the city, county or city and county. The City of Millbrae assumed the housing functions. Therefore, the administrative costs associated with the housing functions are the responsibility of the housing agency, and are not a responsibility of the Agency.

- Item No. 13 – Disposition of Properties in the amount of \$40,000. The Agency was unable to provide documentation to support the estimated costs. The Agency has requested and received RPTTF for this item in the two previous ROPS periods, totaling \$80,344. Yet, the Agency was unable to provide any contracts or agreements pertaining to the estimated disposition costs.

In addition, as stated above, one of the properties has transferred to the housing successor agency.

- Item No. 15 – Low and Moderate Income Housing Fund (LMIHF) and Non-Housing Fund Audits in the amount of \$20,000. The engagement letter provided by the Agency quoted the audit costs for the LMIHF Due Diligence Review (DDR) and the Other Funds and Accounts (OFA) DDR for an estimated total of \$12,000 to \$15,000. The Agency requested and received \$20,000 for this line item on ROPS III, for the period of January through June 2013. These funds should still be in the possession of the Agency. The Agency was unable to provide justification for additional RPTTF for the LMIHF DDR and OFA DDR audit costs.

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 RPTTF distribution for the reporting period is \$464,250 as summarized on next page:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 679,819
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 8	35,047
Item 11	15,000
Item 12	15,000
Item 13	40,000
Item 15	20,000
Total approved RPTTF for enforceable obligations	\$ 554,772
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(215,522)
Total RPTTF approved for distribution:	\$ 464,250

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

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.

Mr. Farhad Mortazavi
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Please direct inquiries to Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at
(916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. LaRae Brown, Finance Director, City of Millbrae
Ms. Shirley Tourel, Senior Internal Auditor, County of San Mateo
California State Controller's Office