



May 17, 2013

Ms. Sarah Schlenk, Agency Administrative Manager
Oakland Redevelopment Successor Agency
250 Frank H. Ogawa Plaza, #3315
Oakland, CA 94619

Dear Ms. Schlenk:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Oakland Redevelopment Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 2013. 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 April 26, 2013.

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. 370 in ROPS III – Low and Moderate Income Housing Project and Other Staff/Operations in the amount of \$849,314. Finance continues to deny this item. As stated in the April 13, 2013 ROPS 13-14A letter, Finance reviewed the Low and Moderate Income Housing Project and Operation costs and it was unclear how the staff costs are related to the specific projects approved as enforceable obligations on the ROPS. More specifically, the documentation (e.g., task list by line item) provided includes staff costs for projects where the Agency has not requested funding. Therefore, it is unclear why staff would be working on a project for which the Agency is not requesting funding.

During the Meet and Confer process, the Agency provided additional documentation (e.g., a staff report listing the employees and hours), but again staff hours could not be substantiated on a project-by-project nor staff member basis. As such, Finance is unable to approve this ROPS III item for Redevelopment Property Tax Trust Fund (RPTTF) funding due to insufficient documentation linking the staff costs to specific projects. To the extent the Agency can develop a methodology and provide suitable documentation that allows for tracking staff time by project, the Agency may be able to obtain funding on future ROPS.

- County Auditor-Controller (CAC) ROPS II Prior Period Adjustment in the amount of \$8,267. Pursuant to HSC section 34186 (a) the differences between actual payments and past estimated obligations on ROPS reported on subsequent ROPS, are subject to audit by the CAC and the State Controller. Finance defers to the adjustments made by the CAC; however, has to authority to accept or disregard findings reported by the CAC

if Finance disagrees with the reported adjustments made. As such, Finance will continue to defer to the prior period adjustment amount of \$792,041.

Should the Agency recognize an underestimated amount requested on future ROPS, HSC provides successor agencies with various methods to address short term cash flow issues. These may include requesting a loan from the city pursuant to HSC section 34173 (h), requesting the accumulation of reserves on the ROPS when a future balloon or uneven payment is expected, or subordinating pass-through payments pursuant to HSC section 34183 (b). The Agency should seek counsel from their oversight board to determine the solution most appropriate for their situation if a deficiency were to occur.

In addition, per Finance's ROPS letter dated April 13, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 384 – Grant/Loan Management Software in the amount of \$385,000. The agreement was between the City of Oakland (City) and the software entity to license, install, and customize software to upgrade and replace the City's grant and loan management system. According to the Agency, pursuant to a cooperative agreement executed in July 2004 between the Redevelopment Agency (RDA) and the City, the RDA agreed to reimburse the City for technical support needed for housing project delivery. HSC section 34176 (a) (1) states if a city 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. Since the City assumed the housing functions of the RDA, the administrative and operating costs associated with these functions are the responsibility of the housing successor. Therefore, the item is not eligible for RPTTF funding.
- Administrative costs in the amount of \$2,280. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$1,152,112 is claimed for administrative cost, only \$1,149,832 is available pursuant to the cap. Therefore, excess administrative cost for \$2,280 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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is: \$38,685,537 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 38,403,746
Minus: Six-month total for items denied	
Item 384	76,000
Total approved RPTTF for enforceable obligations	\$ 38,327,746
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	1,149,832
Minus: ROPS II prior period adjustment	(792,041)
Total RPTTF approved for distribution:	\$ 38,685,537

Pursuant to HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The proposed CAC adjustments were received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes the prior period adjustment that was reported by the CAC.

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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,


STEVE SZALAY
Local Government Consultant

cc: Mr. Patrick Lane, Redevelopment Program Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, County of Alameda
California State Controller's Office