



April 18, 2013

Mr. Bradley Ward, Finance Director
San Pablo Local Successor Agency
13831 San Pablo Avenue
San Pablo, CA 94806

Dear Mr. Ward:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Pablo Local Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 5, 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. 3 and 5 – Joint Powers Financing Authority (Authority) 2001 and 2004 Bonds totaling \$52,785,918. Finance was unable to determine whether these items are obligations of the Agency. Therefore, these line items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. Finance expects the Agency to provide additional information or clarification through the Meet and Confer process.
- Item No. 7 – Tax Allocation Bond. Documentation provided indicates the payment amount should be \$910,000, payable from Reserve Balances. Therefore, the requested amount, \$914,864, has been adjusted by \$4,864.
- Item Nos. 20, 21, 24, 26 – Various Bond Administrative Fees totaling \$258,502. The Agency has requested authority to spend Reserve Balances for these line items. Pursuant to HSC section 34179.6 (f), the unencumbered Other Funds and Account balances, as determined in the Due Diligence Review by Finance, shall be remitted to the affected taxing entities. Therefore, the funding source for these items has been changed from Reserve Balances to RPTTF.
- Item Nos. 22, 23 and 25 – Various Bond Legal Fees totaling \$65,000. It is our understanding that there are no contracts in place for these line items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding.

- Item No. 27 in the amount of \$28,000 is considered a general administrative cost and has been reclassified from Reserve Balances to the Administrative Allowance. Although this reclassification increased administrative costs to \$159,998, the administrative cost allowance has not been exceeded.

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 \$3,187,879 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 5,739,689
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 3	676,774
Item 5	2,125,536
Plus: Funding source changed from Reserves to RPTTF	
Item 20	12,000
Item 21	25,000
Item 24	15,750
Item 26	37,752
Total approved RPTTF for enforceable obligations	<u>\$ 3,027,881</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>159,998</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 3,187,879

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/.

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 Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Kelsey Worthy, Assistant City Manager
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office