



December 17, 2013

Ms. Dawn Merchant, Finance Director
City of Antioch
PO Box 5007
Antioch, CA 94531

Dear Ms. Merchant:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 30, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Antioch Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 17, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 30, 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 November 13, 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. 5 – Future reserves for 2002 Lease Revenue Bonds in the amount of \$553,498. Finance continues to deny this item at this time as the Agency did not provide additional information or documentation to compel reversal of our previous determination. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding to create a reserve for a balloon payment due in January 2032. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due for the next payment due in the following half of the calendar year. However, based on our review of the bond indenture, we did not note any requirement in the indenture to create such a reserve. Because this amount is not due until 2032, the request for RPTTF funding is not allowed at this time.
- Item No. 17 – Property maintenance costs, payable to the City of Antioch (City) totaling \$308,907. This item remains partially approved with an adjustment to our original determination. Finance previously determined that on September 10, 2013, the City and the Agency entered into a loan and reimbursement agreement to allow the Agency to reimburse the City for costs incurred in maintaining the former redevelopment agency's (RDA) properties. The Agency's request included costs totaling \$186,982 for the downtown district. During the meet and confer, the Agency provided documentation

supporting property maintenance costs between \$13,000 and \$19,000 annually. Therefore, it is reasonable that the Agency receive \$9,500, half the highest full-year amount, to maintain the Agency owned properties. Therefore, \$121,925 remains approved per our previous determination, and \$9,500 of the \$186,982, is approved. Therefore, the remaining \$177,482 is not eligible for RPTTF funding.

In addition, per Finance's letter dated October 30, 2013, we continue to make the following adjustments, which were not contested by the Agency during the Meet and Confer:

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that indicated Other Funds are available totaling \$4,810.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 4 – 2002 Lease Revenue Bonds in the amount of \$4,810. The Agency requested \$611,159 RPTTF funding for this obligation on ROPS 13-14B. Finance has determined this item to be an enforceable obligation but will reclassify \$4,810 from RPTTF to Other Funds. Therefore, the RPTTF approved for this item has been reduced to \$606,349.

Pursuant to HSC section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the below 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 below table includes the prior period adjustment that was self-reported by the Agency. Additionally, based on information provided by the Agency during our review, Finance is increasing the prior period adjustment by \$193,801 for the following reason:

- Finance approved an administrative allowance totaling \$239,473 for the ROPS period January through June 2013. The Agency received the full distribution from the Contra Costa County Auditor-Controller. However, based on information provided by the Agency, it is our understanding that actual administrative expenses for this period totaled \$45,672. Therefore, the distributed but not expended RPTTF distribution in the amount of \$193,801 is considered a prior period adjustment, and will be used to reduce the RPTTF distribution for ROPS 13-14B.

Except for the item denied in whole or in part as enforceable obligation or for the item that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$822,242 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,626,833
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,751,833
Total RPTTF requested for non-administrative obligations	1,626,833
<u>Denied Items</u>	
Item No. 5	(553,498)
Item No. 17	(177,482)
	(730,980)
<u>Reclassified Item from RPTTF to Other</u>	
Item No. 4	(4,810)
Total RPTTF approved for non-administrative obligations	891,043
Total RPTTF approved for administrative obligations	125,000
Total RPTTF approved for obligations	1,016,043
Self-Reported ROPS III prior period adjustment (PPA)	-
Adjustment to ROPS III PPA	(193,801)
Total ROPS III PPA	(193,801)
Total RPTTF approved for distribution	\$ 822,242

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Lynn Tracy Nerland, City Attorney, City of Antioch
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office