DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 6, 2013

Mr. Kerry Breen, Assistant Finance Director
City of Brentwood
150 City Park Way
Brentwood, CA 94513

Dear Mr. Breen:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Brentwood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 25, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item Nos. 13 and 14 – City Park and Community Center Projects totaling $2,239,198. The public improvement agreements specific to each of these obligations between the former redevelopment agency (RDA) and the City of Brentwood were entered into after the first two years of the former RDA's creation, and are not associated with the issuance of debt. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless issued within two years of the RDA's creation date, or for issuance of indebtedness to third-party investors or bondholders. Therefore, these items are not enforceable obligations at this time, and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

  Upon receiving a Finding of Completion from Finance, and after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (d) may cause these items to be enforceable in future ROPS period.

- Item No. 21 – Unemployment Obligations in the amount of $21,060. Unemployment payments are enforceable obligations pursuant to HSC section 34171 (d) (1) (C); however, it our understanding the former employees have not claimed unemployment since April 2012. Therefore, this line item is not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $40,000. HSC section 34171 (b) limits fiscal year 2013-14 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. The Contra Cost County Auditor-Controller's Office distributed $210,604 administrative costs for the July through December 2013 period, thus leaving a balance of $39,396 available for the January through June 2014 period. Although $46,896 is claimed for administrative cost, Item No. 24 – Oversight Board Legal Services in the amount of $7,500, and Item No. 26 – General Legal Services in the amount of $25,000, are considered administrative expenses and should be counted toward the cap. Therefore, $40,000 of excess administrative cost is not allowed.

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 table below 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 $881,816 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,545,980
Total RPTTF requested for administrative obligations	46,896
Total RPTTF requested for obligations	**$ 2,592,876**
Total RPTTF requested for non-administrative obligations	**2,545,980**
Denied Items	
Item No. 13	(725,000)
Item No. 14	(925,000)
Item No. 21	(21,060)
	(1,671,060)
Reclassified Items	
Item No. 24	(7,500)
Item No. 26	(25,000)
	(32,500)
Total RPTTF approved for non-administrative obligations	**842,420**
Total RPTTF requested for administrative obligations	**46,896**
Reclassified Items	
Item No. 24	7,500
Item No. 26	25,000
	32,500
Total RPTTF for administrative obligations	**79,396**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**39,396**
Total RPTTF approved for obligations	**881,816**
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	**$ 881,816**
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,592,745
Total RPTTF for 13-14B (January through June 2014)	842,420
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	**2,435,165**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	210,604
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**39,396**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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/.

Absent a Meet and Confer, 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 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.

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

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Michelle Hamblin, Business Services Manager, City of Brentwood
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office