



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2013. 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 Finance on September 25, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 6, 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 15, 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 Nos. 13 and 14 – City Park and Community Center Projects totaling \$2,239,198. Finance continues to deny these items. 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. Furthermore, while the payee listed on the ROPS shows "various," there were no agreements provided which demonstrates that a contract exists between the former RDA and a third party. As such, it appears that payments are being made to the city via the public improvement agreements. 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 and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item. No. 24– Oversight Board (OB) Legal Services in the amount of \$7,500. Finance continues to reclassify this item and include it in the Agency's administrative cost allowance. During the Meet and Confer, the Agency contends this item is an enforceable obligation because HSC 34171 (d) (1) (F) states that enforceable obligations includes contracts or agreement necessary for the administration or

operation if the successor agency. As such, the agency claims that because they do not control the costs of the OB's legal counsel and are not deriving any benefit from these services, these costs should fall outside of the Agency's administrative cost allowance. Finance determines that the OB legal services are an enforceable obligation, are not related to litigation expenses, and do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

- o Any litigation expenses related to assets or obligations.
- o Settlements and judgments.
- o The costs of maintaining assets prior to disposition.
- o Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, Finance continues to reclassify item No. 24, in the amount of \$7,500, as administrative costs.

In addition, per Finance's letter dated November 6, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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, in 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$881,816 as summarized on the following page:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	2,545,980
Total RPTTF requested for administrative obligations	46,896
<b>Total RPTTF requested for obligations</b>	<b>\$ 2,592,876</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,545,980</b>
<u>Denied Items</u>	
Item No. 13	(725,000)
Item No. 14	(925,000)
Item No. 21	(21,060)
	<u>(1,671,060)</u>
<u>Reclassified Items</u>	
Item No. 24	(7,500)
Item No. 26	(25,000)
	<u>(32,500)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>842,420</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>46,896</b>
<u>Reclassified Items</u>	
Item No. 24	7,500
Item No. 26	25,000
	<u>32,500</u>
<b>Total RPTTF for administrative obligations</b>	<b>79,396</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>39,396</b>
<b>Total RPTTF approved for obligations</b>	<b>881,816</b>
ROPS III prior period adjustment	-
<b>Total RPTTF approved for distribution</b>	<b>\$ 881,816</b>
<b>Administrative Cost Cap Calculation</b>	
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	-
<b>Total RPTTF for fiscal year 2013-14</b>	<b>2,435,165</b>
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
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>39,396</b>

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/](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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, 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