DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

November 14, 2013

Ms. Maureen Toms, Principal Planner
Contra Costa County
30 Muir Road
Martinez, CA 94553

Dear Ms. Toms:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Contra Costa County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 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 No. 1 – Financial Services for Property Development in the amount of $30,000. The Agency requested half of the total obligation amount of $60,000 for the period July through December 2013 (ROPS 13-14A); only $30,000 remains available. Therefore, the excess $30,000 is not eligible for Reserves funding on this ROPS.

- Item No. 7 – Relocation and Maintenance Contracts in the amount of $43,619. The Agency was allowed to retain $86,537 from the Low and Moderate Income Housing Fund Due Diligence Review. Additionally, through ROPS 13-14A, the Agency has been approved to expend $86,437. Therefore, only $100 remains available for Reserves funding on this ROPS.

- Item Nos. 54 through 58 – 1999, 2003, and 2007 Tax Allocation Bonds in the amount of $1,357,543. The Agency requested $4,154,702 for Redevelopment Property Tax Trust Fund (RPTTF) funding; however, the total amount due during ROPS 13-14B is $2,797,159. 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 under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Additionally, based on the history of the Agency's distributions, it is our understating the next property tax allocation will be sufficient to make debt service payments due for these items. Therefore, the requested RPTTF funding has been reduced by $1,357,543 ($4,154,702-$2,797,159).

- Item No. 65 – EBRPD Fiscal Agreement in the amount of $500,000. Finance continues to deny this item. According to the agreement, entered into on May 8, 1990, within four years of the date of the adoption of the plan, the Agency will negotiate a subsequent agreement regarding payments. It is our understanding the subsequent agreement for this line item was executed after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Additionally, this item was denied as an inclusion to the ROPS for the period July through December 2013 as stated in the letter dated May 17, 2013. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 81 – Property Maintenance costs in the amount of $28,274. Finance continues to deny this item. Allocating funds for unknown contingencies is not an allowable use of funds. Therefore, this line item is not eligible for additional Reserves funding.

- Item Nos. 82 through 84, and 91 – Various Hookston Station Remediation/Iron Horse Trail costs totaling $177,715. Finance continues to deny these items. The former redevelopment agency is not a party to the obligation for remediation costs. Additionally, these items were denied as an inclusion to the ROPS for the period July through December 2013 as stated in the letter dated May 17, 2013. Therefore, these line items are not enforceable obligations and are not eligible for Reserves or RPTTF funding.

- Item No. 100 – Tri City Remediation Phase II in the amount of $174,501 for Reserves and RPTTF funding. The Agency was unable to provide sufficient documentation to support the amounts claimed. Therefore, this item is not eligible for Reserves or RPTTF funding.

- Item Nos. 103, 106, 107, 119, and 120 – Various Requests to Return Funds to the Housing Successor totaling $31,907. The Agency contends the funds were deposited in error to the Low and Moderate Income Housing Fund (LMIHF), and remitted to the affected taxing entities during the LMIHF Due Diligence Reviews (DDR). The amount determined to be available for remittance to the taxing entities was upheld through the Meet and Confer process in the letter dated February 21, 2013; there is no mechanism in statute that allows Finance to accept revised DDRs. Furthermore, requesting a return of funds does not meet the definition of an enforceable obligation as defined in HSC section 34171 (d). Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

- Item Nos. 104 and 105 – Iron Horse Remediation and Project Management costs totaling $95,000. The Agency was unable to provide sufficient documentation to support the amounts claimed. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

- Item Nos. 111 through 115 – Various Projects Management costs totaling $7,685,756. The Agency was unable to provide sufficient documentation to support the amounts claimed. Additionally, Finance notes the amounts requested for the six-month period exceed the total outstanding obligation amounts as reported on ROPS 13-14B. Therefore, these items are not enforceable obligations and are not eligible for Bonds funding.

- Item Nos. 116 through 118 – Various Requests to Return Funds to the Agency totaling $15,120. The Agency contends the funds were erroneously identified as cash in the DDR, and thus remitted to the affected taxing entities in error. The amount determined to be available for remittance to the taxing entities was upheld through the Meet and Confer

process in the letter dated July 11, 2013; there is no mechanism in statute that allows Finance to accept revised DDRs. Furthermore, requesting a return of funds does not meet the definition of an enforceable obligation as defined in HSC section 34171 (d). Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $38,004. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Contra Costa County Auditor-Controller's Office distributed $250,000 for the July through December 2013 period, thus leaving a balance of $95,170 available for the January through June 2014 period. Although $133,174 is claimed for administrative cost, only $95,170 is available pursuant to the cap. Therefore, $38,004 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 the items denied in whole or in part as enforceable obligations, 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 $4,976,541 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		7,026,442
Total RPTTF requested for administrative obligations		133,174
Total RPTTF requested for obligations	**$**	**7,159,616**
Total RPTTF requested for non-administrative obligations		**7,026,442**
Denied Items		
Item No. 54		(230,000)
Item No. 55		(12,500)
Item No. 56		(82,500)
Item No. 57		(932,543)
Item No. 58		(100,000)
Item No. 65		(500,000)
Item No. 84		(75,000)
Item No. 91		(6,000)
Item No. 100		(64,501)
Item No. 103		(5,363)
Item No. 104		(85,000)
Item No. 105		(10,000)
Item No. 106		(13,221)
Item No. 107		(694)
Item No. 116		(4,615)
Item No. 117		(4,835)
Item No. 118		(5,670)
Item No. 119		(10,000)
Item No. 120		(2,629)
		(2,145,071)
Total RPTTF approved for non-administrative obligations		**4,881,371**
Total RPTTF allowable for administrative obligations		**95,170**
Total RPTTF approved for obligations		**4,976,541**
ROPS III prior period adjustment		-
Total RPTTF approved for distribution	**$**	**4,976,541**
Administrative Cost Cap Calculation		
Total RPTTF for 13-14A (July through December 2013)		6,624,296
Total RPTTF for 13-14B (January through June 2014)		4,881,371
Less approved unfunded obligations from prior periods		
Total RPTTF for fiscal year 2013-14		**11,505,667**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)		345,170
Administrative allowance for 13-14A (July through December 2013)		250,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B		**95,170**

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: Mr. Steven Goetz, Deputy Director: Transportation, Conservation and Redevelopment Programs, Contra Costa County
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office