



December 17, 2013

Mr. Jim Bondi, City Administrator Analyst
City of Oakland
1 Frank H. Ogawa Plaza, 3rd Floor
Oakland, CA 94619

Dear Mr. Bondi:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oakland 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 7, 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 21, 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. 16, 17, 18, 66, 67, 200, 201, 246, 247, 373, 376, 379, and 632 – Debt service in the amount of \$52,338,881. Finance no longer denies Item Nos. 16, 17, 18, 66, 67, 200, 201, 246, 247, and 632 and continues to deny Item Nos. 373, 376, and 379. Our review noted that the Agency is requesting the full fiscal year 2014 debt service payments on ROPS 13-14B. Pursuant to HSC section 34171 (d) (1) (A) reserves are allowed 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. Finance initially denied these items as Finance's review of the bond indenture and official statements did not identify a requirement to have the next debt service payment in a reserve account prior to the due date, and the Agency has not had a shortfall in any of their prior Redevelopment Property Tax Trust Fund (RPTTF) distributions. During the Meet and Confer process, the Agency stated that the Indentures require all available revenue to be set aside as soon as they are available until sufficient funds to make the entire annual debt service payments are held in reserve. Based upon further review, this requirement is included for Item Nos. 16, 17, 18, 66, 67, 200, 201, 246, 247, and 632, but is not stated for Item Nos. 373, 376, and 379. Therefore, the debt service payments that are due during the ROPS 13-14B period totaling \$22,065,661 are approved, amounts to be held in reserve totaling \$21,312,403 are approved for Item Nos. 16, 17, 18, 66, 67, 200, 201, 246, 247,

and 632, and the funding request has been reduced by \$8,960,817 for Item Nos. 373, 376, and 379.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$21,367,279 requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the \$22,065,661 for the ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF funding is received to fund both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

- Item No. 426 – City loan repayment in the amount of \$2,704,747. Finance continues to deny this item at this time. The Agency received a Finding of Completion on May 29, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes pursuant to HSC 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of this City loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), which states the maximum repayment amount in each fiscal year shall be equal to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time.
- Item No. 631 – Pass-through payments in the amount of \$2,600,164. Finance no longer denies this item. Finance initially denied the item as the Agency was not able to provide documentation such as a settlement agreement or an agreement between the Agency and the Oakland Unified School District to support the claimed amounts. During the Meet and Confer process, the Agency provided additional documents showing how the original AB 1290 pass through amounts were calculated incorrectly, which resulted in an under payment. The Agency provided the correct calculations and the amounts that were not paid to the various taxing entities. Therefore, this item is eligible for RPTTF funding.
- Administrative costs claimed for RPTTF exceed the allowance by \$295,872. HSC section 34171 (b) limits the 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater.

Allowable administrative cost amount for fiscal year 2013-14	\$2,815,122
Administrative costs distributed for July through December 2013	\$1,149,832
Administrative costs claimed for January through June 2014	\$1,961,162
Overage	\$295,872

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. 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. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$56,692,196 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	65,372,065
Total RPTTF requested for administrative obligations	1,961,162
Total RPTTF requested for obligations	\$ 67,333,227
Total RPTTF requested for non-administrative obligations	65,372,065
Denied Items	
Item No. 373	(54,875)
Item No. 376	(5,367,961)
Item No. 379	(3,537,981)
Item No. 426	(901,582)
	<u>(9,862,399)</u>
Total RPTTF approved for non-administrative obligations	55,509,666
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	1,665,290
Total RPTTF approved for obligations	57,174,956
ROPS III prior period adjustment	(482,760)
Total RPTTF approved for distribution	\$ 56,692,196
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	38,327,746
Total RPTTF for 13-14B (January through June 2014)	55,509,666
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	93,837,412
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	2,815,122
Administrative allowance for 13-14A (July through December 2013)	1,149,832
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	\$ 1,665,290

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%2013-14B%20Forms%20by%20Successor%20Agency/).

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, Supervisor, or Mary Halterman, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Patrick Lane, Redevelopment Program Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office