



November 8, 2013

Mr. Paul Abelson, Finance Director
City of Oakley
3231 Main Street
Oakley, CA 94561

Dear Mr. Abelson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oakley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 27, 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. 10 – Debt Service Reserve Fund in the amount of \$350,000. 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 RPTTF distributions, it is our understanding the next property tax allocation will be sufficient to make debt service payments due for this item. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 12 – Main Street Realignment-Downtown Parking litigation costs funded by \$1 in bond proceeds. HSC section 34171 (d) (1) (F) states enforceable obligations means contracts or agreements concerning litigation expenses related to assets or obligations. It is our understanding \$487,000 is on deposit in the State Condemnation Fund for this payment. Because a final stipulation of judgment has not occurred, and the terms and conditions for payment of the claim are unknown, this line item is not an enforceable obligation and is not eligible for bond proceeds funding at this time.
- Item Nos. 13 and 32 – Property Common Area Maintenance (CAM), Property Taxes and Building Maintenance for Unleased Properties totaling \$450,000 are not obligations of the Agency. It is our understanding the CAM and maintenance agreements are between

the City of Oakley (City) and a third-party, the former redevelopment agency (RDA) is not a party to the contracts. Furthermore, it is our understanding that because the contracts are between the City and a third-party, the revenue generated from these properties should be collected by the City, not the Agency. Therefore, these line items are not enforceable obligations and are not eligible for Other Funds.

- Item No. 26 – Downtown Project Design costs funded with \$38,982 in bond proceeds is not an obligation of the Agency. The contract with Kahn Design Associates was signed on October 20, 2011, and executed by the City. Therefore, this line item is not an enforceable obligation and is not eligible for bond proceeds funding.
- Item No. 34 – Low and Moderate Income Housing Fund Due Diligence Review (LMIHF DDR) Remainder totaling \$466,020. Although the Agency did not request funding for the current ROPS period, please note any amounts owed pursuant to Finance's final determination of a DDR cannot be funded by inclusion on a ROPS. HSC section 34179.6 (e) requires the payment to be made within five working days of Finance's final determination, from available Agency reserves. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$5,000. HSC section 34171 (b) limits the fiscal year 2013-14 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 \$130,000 in administrative costs for the July through December 2013 period, thus leaving a balance of \$120,000 available for the January through June 2014 period. Although \$125,000 is claimed for administrative costs, only \$120,000 is available pursuant to the cap. Therefore, \$5,000 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, 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 \$909,750 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,140,300
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,265,300
Total RPTTF requested for non-administrative obligations	
	1,140,300
Denied Items	
Item No. 10	(350,000)
	(350,000)
Total RPTTF approved for non-administrative obligations	790,300
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	120,000
Total RPTTF approved for obligations	910,300
ROPS III prior period adjustment	(550)
Total RPTTF approved for distribution	\$ 909,750
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,104,934
Total RPTTF for 13-14B (January through June 2014)	790,300
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	1,895,234
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)	130,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	120,000

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/)

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 (j). 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 Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Bryan Montgomery, Executive Director, City of Oakley
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office