



December 17, 2013

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

Dear Mr. Abelson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 8, 2013. 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 Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 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 20, 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 No. 10 – Debt Service Reserve Fund in the amount of \$350,000. Finance partially denies this item. 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. During the Meet and Confer, the Agency provided additional documentation which identifies that they will be insufficient RPTTF available in the next ROPS period. Therefore, Finance approves the retention of \$312,000 specifically for the Agency's debt service payment in the July through December 2014 period. In addition, since the Agency has a subordination agreement with the affected taxing entities, the Agency is not approved to expend any of these debt service reserve funds on other Agency obligations.
- Item No. 12 – Main Street Realignment-Downtown Parking litigation. Finance continues to deny this item. 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. Additionally, it is our understanding \$487,000 is on deposit in the State Condemnation Fund for this payment.

- Item Nos. 13 and 32 – Property Common Area Maintenance (CAM), Property Taxes and Building Maintenance in the amount of \$45,000 in Other Funds. Finance no longer denies this item. Finance initially denied the items as the agreements provided were between the third-parties and the City of Oakley, not the Agency. During the Meet and Confer, the Agency provided documentation that these costs were for the payment of property tax as well as for maintaining the Agency properties and the CAM. The Agency receives lease payments on the properties and has requested using these Other Funds to pay these costs. Therefore, items 13 and 32 are enforceable obligations under HSC 34171 (f) and are approved to expend \$45,000 in Other Funds this period.
- Item No. 34 – Low and Moderate Income Housing Fund Due Diligence Review (LMIHF DDR) payment totaling \$466,020. Although the Agency did not requesting funding for this item, Finance continues to deny the item. The Agency contends that in order to pay the amounts owed in the DDR, the Agency was required to place the amounts on the ROPS for approval. Per HSC section 34179.6 (e), the Agency is required to remit the amounts owed to the CAC within five working days of receipt of Finance's letter; therefore, it is not necessary to report the LMIHF DDR payment on the ROPS. As such, Finance continues to deny this line and it is not eligible for RPTTF funding.

In addition, per Finance's letter dated November 8, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer

- 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.
- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,221,750 as summarized on the following page:

| <b>Approved RPTTF Distribution Amount<br/>For the period of January through June 2014</b>    |                     |
|--|---------------------|
| Total RPTTF requested for non-administrative obligations                                     | 1,140,300           |
| Total RPTTF requested for administrative obligations   | 125,000             |
| <b>Total RPTTF requested for obligations</b>   | <b>\$ 1,265,300</b> |
| <b>Total RPTTF requested for non-administrative obligations</b>                              | <b>1,140,300</b>    |
| <u>Denied Items</u>  |                     |
| Item No. 10  | (38,000)            |
|  | (38,000)            |
| <b>Total RPTTF approved for non-administrative obligations</b>                               | <b>1,102,300</b>    |
| <b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b> | <b>120,000</b>      |
| <b>Total RPTTF approved for obligations</b>  | <b>1,222,300</b>    |
| ROPS III prior period adjustment   | (550)               |
| <b>Total RPTTF approved for distribution</b>   | <b>\$ 1,221,750</b> |
| <b>Administrative Cost Cap Calculation</b>   |                     |
| 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  | -                   |
| <b>Total RPTTF for fiscal year 2013-14</b>   | <b>1,895,234</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)                             | 130,000             |
| <b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>                  | <b>120,000</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%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, Dispute Resolution Supervisor or Derk Symons, 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