



November 13, 2013

Mr. Robert Stewart, Redevelopment Administrator
City of Pleasant Hill
100 Gregory Lane
Pleasant Hill, CA 94523

Dear Mr. Stewart:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pleasant Hill 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 does not qualify as enforceable obligations for the reasons specified:

- Item No. 1 – 2002 Pleasant Hill Redevelopment Agency Tax Allocation Refunding Bonds in the amount of \$254,458 Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency requested \$340,585, however, the total amount due during ROPS 13-14B is \$86,129. 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 understating the next property tax allocation will be sufficient to make debt service payments due for this item. Therefore, the requested funding has been reduced by \$254,458 (\$340,585-\$86,129).
- Item No. 2 – 2002 Pleasant Hill Downtown Community Facilities District No. 1 Bonds in the amount of \$9,375,044. According to information provided by the Agency, these bonds were originally issued by the City of Pleasant Hill (City) in 2002 and subsequently refunded, along with the 2002 Pleasant Hill Redevelopment Agency Tax Allocation Refunding Bonds, by the California Statewide Communities Development Authority (Authority) in 2013. The 2013 refunding bonds were identified as payable from revenues of the Authority which included redevelopment tax increment. However, redevelopment tax increment is a revenue source of the former redevelopment agency (RDA), not the Authority. In order for redevelopment tax increment to be used as a funding source, the

Agency must have entered into an agreement with the Authority and/or the City, at the time of issuance, and submitted the agreement and refunding bonds to Finance as an Oversight Board action for review and approval. At this time, sufficient documentation has not been provided to support the amounts claimed. Therefore, this line item is not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by \$54,588. 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 Costa County Auditor-Controller's Office distributed \$160,224 in administrative costs for the July through December 2013 period, thus leaving a balance of \$89,776 available for the January through June 2014 period. Although \$125,000 is claimed for administrative cost, Item No. 11 – Burke, Williams, & Sorenson Legal Services in the amount of \$19,364 is considered an administrative expense and should be counted toward the cap. Therefore, \$54,588 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 or for the items that have been reclassified, 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 \$980,520 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	1,411,276
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,536,276
Total RPTTF requested for non-administrative obligations	1,411,276
<u>Denied Items</u>	
Item No. 1	(254,456)
Item No. 2	(246,712)
	(501,168)
<u>Reclassified Items</u>	
Item No. 11	(19,364)
	(19,364)
Total RPTTF approved for non-administrative obligations	890,744
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 11	19,364
Total RPTTF for administrative obligations	144,364
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	89,776
Total RPTTF approved for obligations	980,520
Self-Reported ROPS III prior period adjustment (PPA)	-
Total RPTTF approved for distribution	\$ 980,520
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,925,890
Total RPTTF for 13-14B (January through June 2014)	1,035,108
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	2,960,998
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)	160,224
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	89,776

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Mary McCarthy, Finance Manager, City of Pleasant Hill
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office