

November 10, 2013

Mr. Patrick Lynch, Director
City of Richmond
440 Civic Center Plaza
Richmond, CA 94804

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond 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 Nos. 1 through 4, 9, and 12 – Various Tax Allocation Bonds totaling \$4,542,206. The Agency requested \$7,694,212 for Redevelopment Property Tax Trust Fund (RPTTF) funding, however, the total amount due during ROPS 13-14B is \$3,152,006. 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 Agency's history, it is our understating the next property tax allocation will be sufficient to make debt service payments due for these items. Therefore, the requested funding has been adjusted by \$4,542,206 (\$7,694,212-\$3,152,006) to \$3,152,006.
- Item No. 55 – Metrowalk Phase II and BART Garage Project in the amount of \$14,213,057. Funding for this project was provided in part by grant funds; insufficient documentation was provided to support the amounts claimed. Therefore, this item is not eligible for RPTTF funding.
- Item No. 67 – Miraflores Project Remediation in the amount of \$1,550,000. According to information provided by the Agency, the amounts expended to date, plus the current amount claimed, exceed the total obligation. Therefore, this item is not eligible for RPTTF funding.

- Item No. 72 – Marina Bay Trails Landscape/Security/Improvements Project in the amount of \$7,563. According to information provided by the Agency, the contract for these services is valid through December 31, 2013. Additionally, the Agency is requesting \$50,000; however, the total obligation remaining is \$7,563. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 116 – 1998 Bonds Reserve Shortfall in the amount of \$1,115,756. Insufficient documentation was provided to support the amounts claimed. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 117 and 118 – 2013 Series A and Series B Refunding Bonds totaling \$42,575,026. It is our understanding these bonds have not yet been issued. Once the bonds have been issued, they may be deemed enforceable obligations, subject to the conditions described in HSC section 34177.5. As such, the Agency is currently approved for \$0 in funding for these obligations. To the extent bonds are refunded, the Agency may request a Meet and Confer to establish funding for these items.
- The Agency's claimed administrative costs exceed the allowance by \$204,619. 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 \$449,324 in administrative expenses. The Contra Costa County Auditor-Controller's Office did not distribute any funds to the Agency for the July through December 2013 period, thus leaving a balance of \$374,924 available for the January through June 2014 period. Although \$546,943 is claimed for administrative cost, Item No. 37, Compliance Monitoring Costs in the amount of \$107,000, is considered an administrative expense and should be counted toward the cap. Therefore, \$204,619 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 or for 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 \$4,304,310 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	18,231,439
Total RPTTF requested for administrative obligations	546,943
Total RPTTF requested for obligations	\$ 18,778,382
Total RPTTF requested for non-administrative obligations	18,231,439
<u>Denied Items</u>	
Item No. 1	(213,281)
Item No. 2	(2,077,175)
Item No. 3	(865,206)
Item No. 4	(782,983)
Item No. 9	(494,105)
Item No. 12	(109,456)
Item No. 55	(5,036,913)
Item No. 67	(1,300,000)
Item No. 72	(50,000)
Item No. 72	(1,115,756)
	(12,044,875)
<u>Reclassified Items</u>	
Item No. 37	(107,000)
	(107,000)
Total RPTTF approved for non-administrative obligations	6,079,564
Total RPTTF requested for administrative obligations	546,943
<u>Reclassified Items</u>	
Item No. 37	107,000
	107,000
Total RPTTF requested for administrative obligations after reclassification	653,943
Total RPTTF allowable for administrative obligations (see Administrative Cost Cap Calculation table below)	449,324
Self-Reported ROPS III prior period adjustment (PPA)	(2,224,578)
Total RPTTF approved for distribution	4,304,310
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	8,897,900
Total RPTTF for 13-14B (January through June 2014)	6,079,564
Total RPTTF for fiscal year 2013-14	14,977,464
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	449,324
Administrative allowance for 13-14A (July through December 2013)	-
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	449,324

Pursuant to HSC section 34177 (I) (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/).

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. Lizeht Zepeda, Operations Specialist II, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office