



November 1, 2013

Mr. Jeff Kay, Business Development Manager
City of San Leandro
835 East 14th Street
San Leandro, CA 94577

Dear Mr. Kay:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Leandro Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 19, 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. 40 – Litigation Costs related to AB1484 Stipulation in the amount of \$41,336. Our review of Meyers Nave invoices for AB1484 litigation costs noted that the services were provided between December 2012 and May 2013. Since the Agency requested and was approved for Redevelopment Property Tax Trust Fund (RPTTF) funding for these litigation costs during the July through December 2013 Recognized Obligation Payment Schedule (ROPS 13-14A) period, Finance denies the Agency's request to receive additional funding for this item.
- Item No. 41 – Litigation Costs related to the Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review in the amount of \$23,400. Our review of Meyers Nave invoices for LMIHF DDR litigation costs noted that the services were provided between August 2012 and July 2013. Since the Agency requested and was approved for RPTTF funding for these litigation costs during the ROPS 13-14A period, Finance denies the Agency's request to receive additional funding for this item.

Finance noted that the Agency requested RPTTF funding for Item No. 22 – Regency Centers-Security Agreement in the amount of \$75,000. The Agency provided a contract for Enhanced Police Services which was initially entered into on June 21, 2004 among the City of San Leandro, the former redevelopment agency (RDA) and Regency Centers, L.P. for an annual term which may be terminated by either party prior to the start of a new term by providing the 30 days notice. HSC section 34177 (h) requires Agencies to expeditiously wind down the affairs of the RDA and HSC section 34181 (e) requires the Oversight Board to direct the successor

agency to determine whether any contracts, agreements, or other arrangements between the dissolved RDA and any private parties should be terminated. Therefore, Finance encourages the oversight board to apply adequate "oversight" in evaluating if this contract should be cancelled.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, the funding source for the following item is being partially reclassified to the Reserve Balance as specified below:

- Item No. 26 – The Alameda-OPLA & Legal in the amount of \$3,819,467. Pursuant to Finance letter dated July 11, 2013 regarding the final determination for the Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review, the Agency was permitted to retain \$3,923,774 to make payments to the Alameda Housing Associates. As a result of the Alameda County Auditor-Controller's prior period adjustment for the January through June 2013 Recognized Obligation Payment Schedule in the amount of \$104,277 for this item, the amount remaining in reserves is \$3,819,467 (\$3,923,774 - \$104,277).

Despite receiving approval to retain the LMIHF balance of \$3,923,774, the use of these funds have not been reported on a ROPS. Therefore, Finance is adjusting the amount requested for ROPS 13-14B to acknowledge the use of the remaining amount of \$3,819,467. Furthermore, Finance is approving the Agency's request of \$2,080,503 of RPTTF as reported on the ROPS to satisfy the Agency's remaining obligation to Alameda Housing Associates for the construction loan.

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 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 \$5,253,500 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,232,865
Total RPTTF requested for administrative obligations	307,427
Total RPTTF requested for obligations	\$ 5,540,292
Total RPTTF requested for non-administrative obligations	5,232,865
<u>Denied Items</u>	
Item No. 40	(41,336)
Item No. 41	(23,400)
	<u>(64,736)</u>
Total RPTTF approved for non-administrative obligations	5,168,129
Total RPTTF approved for administrative obligations	307,427
Total RPTTF approved for obligations	5,475,556
ROPS III prior period adjustment	(222,056)
Total RPTTF approved for distribution	\$ 5,253,500

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/).

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.

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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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Cynthia Battenberg, Community Development Director, City of San Leandro
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office