



December 17, 2013

Mr. Bradley Ward, Finance Advisor
City of San Pablo
13831 San Pablo Avenue
San Pablo, CA 94806

Dear Mr. Ward:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Pablo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 25, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 6, 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 18, 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. 7 – 2006 Tax Allocation Bond in the amount of \$148,631. Finance no longer denies this item. The Agency requested \$935,830; however, Finance initially denied \$148,631 of this item because according to the debt service schedule, the amount necessary for the requested time period was only \$787,199. However, the Agency's new letter of credit related to the bonds extended the maturity date and increased the fees. The Agency provided the new repayment schedule, which includes \$935,830 due on June 1, 2014. Therefore, Finance no longer denies the debt service payments requested for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 34 – Capital Projects funded with \$1,610,701 in bond proceeds. Finance no longer denies this item. Although the Agency received a Finding of Completion on September 16, 2013, Finance initially denied the item as the documentation provided does not show evidence of a commitment or obligation by the Agency to expend the bond proceeds for the projects specified. During the Meet and Confer process, the Agency provided an Oversight Board resolution approving the use of excess bond proceeds for several projects to be administered by the City of San Pablo (City) during the ROPS 13-14B period. Therefore, this line item is eligible for bond proceeds funding.

- Item 36 – Property Maintenance in the amount of \$30,000. Finance no longer denies this item. Finance initially denied the item as no documentation was provided to support the amounts claimed. During the Meet and Confer process, the Agency provided the methodology used to develop the estimate. The costs will be incurred by City staff to maintain 34 acres of Agency owned property prior to disposition. Therefore, this line item is an enforceable obligation and is eligible for RPTTF funding.

In addition, per Finance’s letter dated November 6, 2013, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- Item No. 18 – Supplemental Educational Revenue Augmentation Fund (SERAF) Loan in the amount of \$1,357,756 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies SERAF loan repayments shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B technically falls within fiscal year 2013-14, the repayment of this loan is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of this SERAF loan beginning with ROPS 14-15A.

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 funding 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 \$5,856,155 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,824,589
Total RPTTF requested for administrative obligations	138,184
Total RPTTF requested for obligations	\$ 5,962,773
Total RPTTF requested for non-administrative obligations	5,824,589
Denied Items	
Item No. 18	(106,618)
Total RPTTF approved for non-administrative obligations	5,717,971
Total RPTTF approved for administrative obligations	138,184
Total ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 5,856,155

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/).

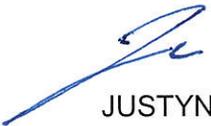
This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should 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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Kelsey Worthy, Assistant City Manager, City of San Pablo
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office