



December 17, 2013

Mr. Mark Evanoff, Redevelopment Manager
City of Union City
34009 Alvarado-Niles Road
Union City, CA 94587

Dear Mr. Evanoff:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 11, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Union City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on August 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 11, 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 October 24, 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 Nos. 19, 23, 25, and 26 – Project and legal expenses totaling \$2,850,000 in bond proceeds. Finance continues to deny these items. The Agency and the City entered into a Cooperative Agreement on May 8, 2012 to complete certain bond funded projects outlined in the 2011 series bond indenture. The Agency claims these line items are related to the bond funded projects. Our review indicates that the Cooperative Agreement is not an enforceable obligation per HSC section 34171 (d) (2), which states that enforceable obligation does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA. In addition, we note that the Agency is requesting the use of bond proceeds from bonds issued after December 31, 2010. However, HSC section 34191.4 (c) (2) (B) requires the proceeds from bonds issued after December 31, 2010 to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

For Items 19 and 23, Finance notes these items are associated with the Intermodal Station Project, which is included in the bond indenture, but not in the 2012 Cooperative Agreement.

In addition, per Finance's letter dated October 21, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 10 – Bart Phase 2 in the amount of \$800,000 of bond proceeds. During the review, the Agency advised Finance this obligation should not be funded during the current ROPS 13-14B period and requested to remove this item from the ROPS. Therefore, no funding is approved at this time.
- Administrative costs claimed for Redevelopment Property Tax Trust Fund (RPTTF) exceed the allowance by \$144,262. HSC section 34171 (b) limits the 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater.

Allowable administrative cost amount for fiscal year 2013-14	\$355,738
Administrative costs distributed for July through December 2013	300,000
Administrative costs claimed for January through June 2014	200,000
Overage	\$144,262

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 below table 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, 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 \$5,691,203 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,674,448
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations	\$ 5,874,448
Total RPTTF approved for non-administrative obligations	5,674,448
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	55,738
Total RPTTF approved for obligations	5,730,186
ROPS III prior period adjustment	(38,983)
Total RPTTF approved for distribution	\$ 5,691,203
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	6,183,477
Total RPTTF for 13-14B (January through June 2014)	5,674,448
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	\$ 11,857,925
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	355,738
Administrative allowance for 13-14A (July through December 2013)	300,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	\$ 55,738

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/).

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.

Mr. Mark Evanoff
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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Howard', with a long horizontal stroke extending to the left.

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Tony Acosta, Deputy City Manager, Union City
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office