



May 16, 2014

Ms. Elizabeth Hudson, Finance Director  
Town of Danville  
510 La Gonda Way  
Danville, CA 94526

Dear Ms. Hudson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 1, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Town of Danville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 25, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 1, 2014. 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 April 8, 2014.

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 item being disputed.

- Item No. 6 – Cooperation Agreement between the Agency and the Town of Danville (Town) in the amount of \$8,749,336. Finance continues to deny this item. Records indicate the Danville Community Development Agency (CDA) was created in 1984. In 1987, the Town and the former CDA entered into a cooperative agreement for administrative assistance as well as advances for the funding of projects. This agreement required repayment; however, both parties recognized that payment would not occur for a few years and over a period of time when excess funds were available. As the redevelopment agency shutdown became a reality, the CDA and the Town re-entered into the Fourth Amendment and Restated Cooperative Agreement on May 3, 2011. This agreement contained a reimbursement schedule as well as penalties for non-payment. The repayment of this loan, in the amount of \$8,063,814, was denied on the April 20, 2012 ROPS letter from Finance. With Oversight Board approval, the Agency and the Town re-entered into the cooperative agreement on May 1, 2012.

The Agency contends the item is an enforceable obligation because the Agency was authorized to re-enter into the agreement by resolution of the duly appointed Oversight Board after making findings of benefit to taxing entities at their meeting on May 7, 2012, as permitted by HSC sections 34178 (a) and 34180 (h) as amended by ABx1 26 and effective as of the date of the Oversight Board's action. While HSC sections 34178 (a) and 34180 (h) authorizes successor agencies to re-enter into agreements, any agreement re-entered into cannot conflict with the requirements set forth in HSC section

34171 (d), as ABx1 26 did not specifically carve out an exception to the definition of an enforceable obligation nor did HSC sections 34178 (a) or 34180 (h) not withstand HSC section 34171 (d). Therefore, the Oversight Board had no legal basis to approve an action that directly conflicted with and violated the definition of an enforceable obligation. Even if Finance did not object to the specific Oversight Board actions authorizing the Agency to re-enter into agreements, the statute as a whole prohibits such an action from being validated if it conflicts with the definition of an enforceable obligation. Additionally, Finance has clearly defined authority under HSC sections 34177 and 34179 (h) to review any items on a ROPS to determine whether or not successor agencies are responsible for the obligation listed on their ROPS. Even if an Oversight Board approved an action that created an enforceable obligation, Finance has the authority to review the enforceable obligation for compliance with HSC section 34171 (d) or for compliance with any other statutory requirements contained in Chapter 26, statutes of 2012 (AB 1484). At no time can an Oversight Board action eliminate Finance's authority to review an enforceable obligation as part of a ROPS review.

Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 24, 2013. However, the oversight board has not approved the loan or made a finding the loan was for legitimate redevelopment purposes. Therefore, this ROPS item is not eligible for funding at this time. Once the oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes and the corresponding Oversight Board action is approved by Finance, the Agency may request funding for this item on future ROPS.

In addition, per Finance's letter dated April 1, 2014, we maintain the following determinations not contested by the Agency during the meet and confer process:

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies 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 only includes the prior period adjustment self-reported by the Agency.

With the Agency's concurrence, the following adjustments were made to the Cash Balance Form based upon information provided during our review:

- The Agency's financial records show the bond reserves account earned \$12 in interest income during the ROPS 13-14A period; however, this amount was omitted from the Cash Balance Form. Therefore, the total bond reserve balance was adjusted to \$374,977. This adjustment has no effect on the amount of RPTTF the Agency receives, but will affect the Agency's cash balances for the fund source involved.

- Total Other Funds for the ROPS 13-14A period has been adjusted to \$116,101 because the Agency overstated rental income received by the 115 Hartz properties. As such, the total available cash as of December 31, 2013 has been reduced to \$355,128. However, the Agency applied \$360,940 to ROPS 14-15A for Item Nos. 1 and 2, resulting in a shortage of Other Funds in the amount of \$5,812 for debt service payments. Therefore, Finance increased RPTTF funding for Item No. 1 by \$3,360 and Item No. 2 by \$2,452, for a total of \$5,812.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$424,277 as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	734,265
Total RPTTF requested for administrative obligations	84,200
<b>Total RPTTF requested for obligations</b>	<b>\$ 818,465</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>734,265</b>
<u>Denied Item</u>	
Item No. 6	(400,000)
	(400,000)
<u>Reclassified Items – From Other Funds to RPTTF</u>	
Item No. 1	3,360
Item No. 2	2,452
	5,812
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 340,077</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>84,200</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 84,200</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 424,277</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 424,277</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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. Robert Ewing, City Attorney, Town of Danville  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County  
California State Controller's Office