



April 11, 2014

Mr. Farhad Mortazavi, Community Development Director
City of Millbrae
621 Magnolia Avenue
Millbrae, CA 94030

Dear Mr. Mortazavi:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Millbrae Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 funding for Item No. 8 is being reduced for the reasons specified:

Item No. 8 – 2004 Pension Obligation Property Bonds is partially denied for Redevelopment Property Tax Trust (RPTTF) funding in the amount of \$17,523. Although the Agency requests \$35,047, only \$17,524 is required for the ROPS 14-15A period. During the San Mateo County Auditor-Controller's (CAC) review of the Agency's ROPS 13-14A expenditures, it was determined the Agency only expended one-half of the RPTTF approved for Item No. 8 in ROPS 13-14A. HSC section 34177 (l) (3) states that ROPS shall be forward looking to the next six months. Therefore, the Agency should only request funding on ROPS for obligations required to be paid within the applicable ROPS period. Consequently, \$17,523 (\$35,047 - \$17,524) is not eligible for funding on ROPS 14-15A.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should 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. The Agency's self-reported Cash Balance page displays available Other Funds in the amount of \$144,818 as of December 31, 2013. In ROPS 13-14B, the Agency was approved for Other Fund expenditures in the amount of \$12,840. In addition, the Agency requests \$17,120 of Other Fund expenditures in ROPS 14-15A. As such, the Agency self-reports \$114,858 ($\$144,818 - \$12,840 - \$17,120$) of Other Funds as available for expenditure of ROPS 14-15A obligations.

Therefore, the funding sources for the following items have been reclassified to Other Funds in the amounts specified below:

- Item No. 7 – Field License Agreement in the amount of \$62,391. The Agency requests RPTTF funding in the amount of \$180,000; however, Finance is reclassifying \$62,391 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require full payment from property tax revenues and the Agency has \$114,858 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$117,609 and the use of Other Funds in the amount of \$62,391, totaling \$180,000.
- Item No. 8 – 2004 Pension Obligation Bonds in the amount of \$17,524. The Agency requests RPTTF in the amount of \$35,047; however, \$17,523 does not qualify for funding on this ROPS 14-15A period. Finance is reclassifying the remaining \$17,524 to Other Funds. This item was determined to be an enforceable obligation in part for the ROPS 14-15A period and the Agency has \$52,467 ($\$114,858 - \$62,391$) in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$17,524.
- Item Nos. 11 and 12 – Maintenance of Properties totaling \$7,063. The Agency requests RPTTF totaling \$7,063 for Item Nos. 11 and 12. These items were determined to be enforceable obligations for the ROPS 14-15A period. However, Finance is reclassifying \$7,063 to Other Funds and the Agency has \$34,943 ($\$114,858 - \$62,391 - \$17,524$) in remaining available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$3,000 for Item No. 11 and \$4,063 for Item No. 12, totaling \$7,063.
- Item Nos. 13 and 16 – Disposition of Properties totaling \$27,880. The Agency requests Other Funds in the amount of \$17,120 for Item No. 13 and RPTTF totaling \$27,880 for Item Nos. 13 and 16, for a combined total of \$45,000. These items were determined to be enforceable obligations for the ROPS 14-15A period. However, Finance is reclassifying \$27,880 of RPTTF to Other Funds as the Agency has \$27,880 ($\$114,858 - \$62,391 - \$17,524 - \$7,063$) in available Other Funds. Therefore, Finance is approving the requested Other Funds in the amount of \$17,120 for Item No. 13 and the use of the remaining Other Funds in the amount of \$12,880 for Item No. 13 and \$15,000 for Item No. 16, totaling \$45,000.

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. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table below includes the prior

period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in part as enforceable obligation or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$537,278 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	620,065
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 745,065
Total RPTTF requested for non-administrative obligations	620,065
<u>Denied Item</u>	
Item No. 8	(17,523)
<u>Cash Balances - Items reclassified to Other Funds</u>	
Item No. 7	(62,391)
Item No. 8	(17,524)
Item No. 11	(3,000)
Item No. 12	(4,063)
Item No. 13	(12,880)
Item No. 16	(15,000)
	(114,858)
Total RPTTF authorized for non-administrative obligations	\$ 487,684
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 612,684
ROPS 13-14A prior period adjustment	(75,406)
Total RPTTF approved for distribution	\$ 537,278

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. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency did not provide the requested financial records. Therefore, 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

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

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

Absent a Meet and Confer, 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Stephanie Beauchiane, Finance Director, City of Millbrae
Mr. Bob Adler, Auditor-Controller, San Mateo County
California State Controller's Office