



April 8, 2014

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

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 14-15A) to the California Department of Finance (Finance) on February 26, 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 do not qualify as enforceable obligations for the reasons specified:

- Item No. 18 – Supplemental Educational Revenue Augmentation Fund loan repayment in the amount of \$106,618 is not allowed. The Agency received a Finding of Completion on September 16, 2013. As such, the Agency may place loan agreements between the former redevelopment agency (RDA) and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies 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 fiscal year 2012-13 base year.

According to the Contra Costa County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for both fiscal years 2012-13 and 2013-14 are \$0. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$0. Therefore, the requested \$106,618 requested is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS. The Agency may be eligible for funding beginning with ROPS 15-16A.

- Item No. 31 – City of San Pablo (City) Loan in the amount of \$292,035, funded by Reserve Balances. HSC section 34173 (h) provides that the city that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative

costs. However, the loan agreement provided does not specify the loan amount or the ROPS period to which the the loan applies. To the extent the Agency can provide suitable documentation to support the requested funding, the Agency may be able to obtain funding on future ROPS. Therefore, this item is not eligible for Reserve Balances funding at this time.

- Item No. 32 – City Loans in the amount of \$157,459, funded by Other Funds. HSC section 34173 (h) provides that the city that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative costs. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the Oversight Board has not approved a loan agreement with regards to this loan. To the extent the Agency can provide an executed loan agreement to support the requested funding, the Agency may be able to obtain funding on future ROPS. Therefore, this item is an enforceable obligation and is not eligible for Other Funds at this time.
- Item No. 33 – City Loan in the amount of \$220,060. HSC section 34173 (h) provides that the city that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative costs. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the Oversight Board has not approved a loan agreement with regards to this loan. To the extent the Agency can provide an executed loan agreement to support the requested funding, the Agency may be able to obtain funding on future ROPS. Therefore, this item is an enforceable obligation and is not eligible for RPTTF funding at this time.
- Item No. 36 – Property Maintenance in the amount of \$8,333. The Agency erred in calculating the required funding in the amount of \$8,333. The Agency requested \$37,000, but only \$28,667 is required for the ROPS 14-15A period. Therefore, with the Agency's agreement, the excess \$8,333 (\$37,000-\$28,667) is not eligible for Reserve Balances funding on this ROPS.

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 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.

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. 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 zero as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	326,678
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations	\$ 326,678
Total RPTTF requested for non-administrative obligations	326,678
<u>Denied Items</u>	
Item No. 18	(106,618)
Item No. 33	(220,060)
	(326,678)
Total RPTTF authorized for non-administrative obligations	\$0
Total RPTTF authorized for administrative obligations	\$0
Total RPTTF authorized for obligations	\$0
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$0

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, 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),

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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 Nichelle Thomas, Supervisor or Alexander Watt, Lead 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