



November 11, 2014

Mr. Eric Angstadt, Planning Director
City of Berkeley
2118 Milvia Street, 3rd floor
Berkeley, CA 94704

Dear Mr. Angstadt:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Berkeley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 14-15B at this time.

However, Finance made an adjustment to Item No. 1- Tax Allocation Bonds. The Agency requested an amount of \$473,994 in Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to the debt service schedule provided, the payment on June 1, 2015 totals \$926,494. Therefore, finance increased the amount requested from \$473,994 to \$926,494 to be consistent with the debt service schedule.

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 (I) (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 provided financial records that displayed available Other Funds totaling \$142,370, Reserve Funds totaling \$452,500, and Bond Funds with Trustee totaling \$787,992.

Therefore the funding source for the following items have been reclassified to Bond, Reserve Balances, and Other Funds in the amounts specified below:

- Item No. 1 – 2005 Tax Allocation Bonds. The Agency requests \$473,994 of RPTTF, and Finance increased the amount to \$926,494. Finance is reclassifying \$787,992 to Bonds Funds and \$138,502 to Reserve Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, this is the last debt service payment and the Agency has an amount of \$787,992 with the trustee as bond reserves. The funds with the trustee should be utilized since the bonds will be repaid in full after the last payment.

Finance is approving RPTTF in the amount of \$0 and the use of Bond Funds in the amount of \$787,992, and Reserve Funds in the amount of \$138,502, totaling \$926,494.

- Item No. 2 – Savo Island Loan Payable. The Agency requests \$133,840 of RPTTF; however, Finance is reclassifying \$133,840 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$142,370 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$0 and the use of Other Funds in the amount of \$133,840.
- Item No. 3 – \$1Million Bond-City Loan. The Agency requests \$30,968 of RPTTF; however, Finance is reclassifying \$8,530 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$142,370 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$22,438 and the use of Other Funds in the amount of \$8,530.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. 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. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$88,807 as summarized in the Approved RPTTF Distribution Table below:

| Approved RPTTF Distribution | |
|--|-------------------|
| For the period of January through June 2015 | |
| Total RPTTF requested for non-administrative obligations | 650,802 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF requested for obligations on ROPS | \$ 775,802 |
| | |
| RPTTF adjustment to non-administrative obligations | 452,500 |
| Total RPTTF adjustments | \$ 452,500 |
| | |
| Total RPTTF requested for non-administrative obligations | 1,103,302 |
| <u>Cash Balances - Items reclassified to other funding sources</u> | |
| Item No. 1 | (926,494) |
| Item No. 2 | (133,840) |
| Item No. 3 | (8,530) |
| | (1,068,864) |
| Total RPTTF authorized for non-administrative obligations | \$ 34,438 |
| | |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF authorized for administrative obligations | \$ 125,000 |
| | |
| Total RPTTF authorized for obligations | \$ 159,438 |
| ROPS 13-14B prior period adjustment | (70,631) |
| Total RPTTF approved for distribution | \$ 88,807 |

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Danita Hardaway, Associate Management Analyst, City of Berkeley
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office