

December 17, 2014

Mr. Kevin Mizuno, Finance Manager  
City of Clayton  
6000 Heritage Trail  
Clayton, CA 94517

Dear Mr. Mizuno:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 10, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Clayton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 29, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 10, 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 November 24, 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 items being disputed.

During our initial review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (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 provided financial records that displayed available pre-2011 excess Bond Reserve Funds totaling \$310,367.

During the meet and confer process the Agency claimed that these funds are restricted to be used for purposes specified in Section 3.02 (c) of the 1996 Redevelopment Agency Tax Allocation Bonds supplemental indenture dated November 1, 1996. However, per Section 3.02 (c) of the bond indenture, any portion of the Series 1996 Reserve Account which is in excess of the Reserve Requirement for the Series 1996 Bonds shall be transferred by the Fiscal Agent to the Agency (redevelopment agency) to be used for any lawful purpose. Therefore, the funding source for the following items continues to be reclassified to excess bond proceeds and in the amounts specified below:

- Item No. 4 – Contract for Consulting Services. The Agency requests \$1,980 from RPTTF; however, Finance is reclassifying \$1,980 to Bond Proceeds. Therefore, Finance is approving the use of Bond Proceeds in the amount of \$1,980.
- Item No. 7 – Successor Agency Functions. The Agency requests \$125,000 from RPTTF Administrative Cost Allowance; however, Finance is reclassifying the request to Bond Proceeds. Therefore, Finance is approving the use of Bond Proceeds in the amount of \$125,000.
- Item No. 16 – 2014 Refunding Tax Allocation Bonds. The Agency requests \$52,302 from RPTTF; however, Finance is reclassifying \$44,894 to Bond Proceeds. Therefore, Finance is approving the use of Bond Proceeds in the amount of \$44,894, and RPTTF in the amount of \$7,408, for a total of \$52,302.

In addition, per Finance's letter dated November 10, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

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. The amount of RPTTF approved in the table below reflects 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 review by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

In addition, Finance noted the following during our review:

- On the ROPS 13-14B Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:
  - Bond Proceeds totaling \$614,576 – Item No. 1, \$88,856; and Item No. 2, \$525,720.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15B period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Bond Proceeds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Except for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$0 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	54,282
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 179,282</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>54,282</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 7	(1,980)
Item No. 47	(44,894)
	(46,874)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 7,408</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Reclassified Item</u>	
Item No. 70	(125,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 7,408</b>
ROPS 13-14B prior period adjustment	(7,408)
<b>Total RPTTF approved for distribution</b>	<b>0</b>

Please refer to the ROPS 14-15B 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Laura Hoffmeister, Assistant City Manager, City of Clayton  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County  
California State Controller's Office