



October 29, 2014

Ms. Rose Zimmerman, City Attorney  
City of Daly City  
333 - 90th Street  
Daly City, CA 94015

Dear Ms. Zimmerman:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Daly City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 17, 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 a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 22 – Housing Administrative Allowance in the amount of \$150,000 is denied. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance (ACA) is only appropriate if the city, county, or city and county that authorized the creation of the former redevelopment agency (RDA) elected to not assume the housing functions of the former RDA. The City of Daly City's Housing Development Finance Agency (City HDFA) elected to retain the housing functions of the former RDA. The City HDFA is considered a component of the City. Therefore, the City HDFA is not eligible for the housing successor ACA of \$150,000.
- Item No. 20 – Professional Services in the amount of \$5,000 is considered an administrative expense. Therefore, the claimed administrative costs exceed the allowance by \$5,000. HSC section 34171 (b) limits fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible \$250,000 in administrative expenses for fiscal year 2014-2015. The San Mateo Auditor-Controller's Office (CAC) distributed \$125,000 of administrative costs for the July through December 2014 period (ROPS 14-15A), thus leaving a balance of \$125,000 available for the January through June 2015 period (ROPS 14-15B). Although \$125,000 in administrative costs is claimed for ROPS 14-15B, Item No. 20 should be counted toward the cap. Therefore, \$5,000 of excess administrative cost is not allowed.

The remaining administrative costs in the amount of \$125,000 are within the fiscal year administrative cap, pursuant to HSC section 34171 (b). However, Finance notes the

oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the Agency's 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.

Additionally, during our 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 Fund (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 holds unencumbered rental revenue as supported by their accounting records in the amount of \$56,919 as of June 30, 2014.

Therefore, the funding source for the following item has been reclassified from RPTTF to Other Funds in the amount specified below:

Item No. 21 – Remediation in the amount of \$56,919. The Agency requests \$65,000 of RPTTF; however, Finance is reclassifying \$56,919 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 \$56,919 of available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$8,081 and the use of Other Funds in the amount of \$56,919, totaling \$65,000.

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 audit by the 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.

Except for the item denied in whole or 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$133,081 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	70,000
Total RPTTF requested for administrative obligations	275,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 345,000</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>70,000</b>
<u>Reclassified Item</u>	
Item No. 20	(5,000)
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 21	(56,919)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 8,081</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>275,000</b>
<u>Reclassified Item</u>	
Item No. 20	5,000
<u>Denied Item</u>	
Item No. 22	(150,000)
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(5,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 133,081</b>
ROPS 13-14B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 133,081</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	0
Total RPTTF for 14-15B (January through June 2015)	12,817
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>12,817</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 14-15A (July through December 2014)	125,000
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>125,000</b>
Total RPTTF administrative obligations after Finance adjustments	130,000
<b>Administrative costs in excess of the cap</b>	<b>\$ (5,000)</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>

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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Mr. Lawrence Chiu, Director of Finance & Administrative Services, City of Daly City  
Mr. Bob Adler, Auditor-Controller, County of San Mateo  
California State Controller's Office