

November 17, 2014

Ms. Kelly McAdoo, Assistant City Manager  
City of Hayward  
777 B Street  
Hayward, CA 94541

Dear Ms. McAdoo:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hayward Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 3, 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. 14 – Foothill Façade Loans in the amount of \$409,856 is partially allowed. During the January through June 2014 ROPS (ROPS 13-14B) period, the Agency reported an outstanding obligation of \$422,000 for the item. The Agency's Report of Prior Period Adjustments for ROPS 13-14B period reports expending \$146,000 of Reserve Balances toward this item lowering the total outstanding obligation to \$276,000 (\$422,000 - \$146,000). Therefore, the requested Reserve Balances amount is reduced by \$133,856 (\$409,856-276,000).
- Item No. 35 – Contract for Environmental Remediation Work in the amount of \$52,528 is not allowed. The Agreement on file with the Agency expired on September 9, 2013. The Agency was not able to provide any documentation to support the agreement has been extended. Therefore, the item is not eligible for Reserve Balances at this time.
- Item No. 36 – Project Delivery Costs for the Burbank Residual site in the amount of \$6,803 is not an enforceable obligation. The requested amount is for finalizing the negotiations and execution of Purchase and Sale Agreement for the site. Our understanding is that the property was sold during the January through June 2014 (ROPS 13-14B) period. Furthermore, the Agency did not provide documentation to support the additional amount requested. Therefore, the item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

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 was unable to support all of the balances retained for future periods and has available Reserve Balances totaling \$68,431.

Therefore, the funding source for the following item has been reclassified to Reserve Balances in the amount specified below:

- Item No. 21 – Successor Agency Administrative Allowance. The Agency requests \$125,000 RPTTF; however, Finance is reclassifying \$68,431 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from tax revenues and the Agency has \$68,431 in available Reserve Balances. Therefore, Finance is approving \$56,569 in Administrative RPTTF and \$68,431 in Reserve Balances for a total of \$125,000.

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. 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 items denied in whole or in part, 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 \$4,104,441 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	4,072,344
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 4,197,344</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>4,072,344</b>
<u>Denied Item</u>	
Item No. 36	(6,803)
	(6,803)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 4,065,541</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 21	(68,431)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 56,569</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 4,122,110</b>
ROPS 13-14B prior period adjustment	(17,669)
<b>Total RPTTF approved for distribution</b>	<b>\$ 4,104,441</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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Tracy Vesely, Finance Director, City of Hayward  
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County  
California State Controller's Office