

December 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 17, 2014. 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 Finance on October 3, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 17, 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 December 3, 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.

- Item No. 14 – Foothill Façade Loans in the amount of \$409,856. Finance no longer denies \$400,000 of this item. 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 reported expending \$146,000 of Reserve Balances toward this item, which would lower the total outstanding obligation to \$276,000 (\$422,000 - \$146,000). As a result, Finance initially reduced the requested Reserve Balances amount by \$133,856 (\$409,856 - \$276,000).

During the Meet and Confer process, the Agency provided supporting documents showing only \$100,000 was paid during the ROPS 13-14B period and that the current outstanding balance after this payment is \$400,000 on the Weinstein Loan. Therefore, this item is eligible for \$400,000 in Reserve Balances and the remaining \$9,856 is denied.

- Item No. 36 – Project Delivery Costs for the Burbank Residual site in the amount of \$6,803 is not an enforceable obligation. Finance continues to deny this item. Finance initially denied this item as it was our understanding that the property was sold during the January through June 2014 (ROPS 13-14B) period and the Agency did not provide

documentation to support the additional amount requested. During the Meet and Confer process, the Agency contended that the costs of the continued monitoring and enforcement are required under the Purchase and Sale Agreement entered into on January 2, 2013, between Urban Dynamic, LLC and the Agency. However, an Oversight Board approved resolution for the Purchase and Sale Agreement was not submitted to Finance for review. Furthermore, HSC section 34177.3 (a) states that agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work. As such, any financial obligations the Agency may be incurring pursuant to the Purchase and Sale Agreement are not approved by Finance and are not allowable pursuant to HSC section 34177.3 (a). Therefore, the item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- During our review, which may have included obtaining financial records, Finance initially 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 was unable to support all of the balances retained for future periods and it was determined that there was an available Reserve Balance totaling \$68,431.

During the Meet and Confer process, the Agency contended that they have a current deficit of \$1,131,561. As a result of this discrepancy in the cash balances available, Finance will continue to work with the Agency after the ROPS 14-15B 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 15-16A.

Therefore, the funding source for the Item No. 21 will not be reclassified to Reserve Balances.

In addition, per Finance's letter dated November 17, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$4,172,872 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	4,072,344
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 4,197,344
Total RPTTF requested for non-administrative obligations	4,072,344
<u>Denied Item</u>	
Item No. 36	(6,803)
	(6,803)
Total RPTTF authorized for non-administrative obligations	\$ 4,065,541
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 4,190,541
ROPS 13-14B prior period adjustment	(17,669)
Total RPTTF approved for distribution	\$ 4,172,872

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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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