



November 13, 2014

Mr. David Biggs, City Manager  
City of Hercules  
111 Civic Drive  
Hercules, CA 94547

Dear Mr. Biggs:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hercules 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 a sample of line items reviewed and application of the law, Finance made the following determinations:

Item Nos. 1 through 4 – Various Bond Debt Service Payments totaling \$10,689,847 has been adjusted to \$7,318,541. The Agency requests funding for current debt service payments due during the ROPS 14-15B period, a debt service payment reserve, and past due debt service payment obligations. While the Agency has historically received insufficient Redevelopment Property Trust Tax Fund (RPTTF) to make debt service payments in full, it is our understanding the Agency is in the process of selling properties to fulfill past due debt service obligations pursuant to the AMBAC settlement. To the extent the Agency receives proceeds from the sale of properties; the Agency should request Other Funds to satisfy past due debt service obligations. Therefore, the excess, \$3,101,307 (\$10,689,847 - \$7,318,541) is not eligible for RPTTF funding on this ROPS

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.

Except for the 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 \$11,353,968 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	14,322,597
Total RPTTF requested for administrative obligations	132,678
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 14,455,275</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>14,322,597</b>
<u>Denied Items</u>	
Item No. 1	(837,474)
Item No. 2	(2,065,387)
Item No. 3	(186,698)
Item No. 4	(11,748)
	(3,101,307)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 11,221,290</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>132,678</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 132,678</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 11,353,968</b>
ROPS 13-14B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 11,353,968</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported; the Agency was unable to support the beginning balances for Other Funds, the revenue earned, and other payments made from funds outside of the ROPS. As a result, 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.

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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Nickie Mastay, Finance Director, City of Hercules  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County  
California State Controller's Office