DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 14, 2014

Ms. Sarah T. Schlenk, Agency Administrative Manager
City of Oakland
250 Frank H. Ogawa Plaza
Suite 3315
Oakland, CA 94612

Dear Ms. Schlenk:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oakland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 2, 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. 4, 5, 57, 198, 199, 242, 243, 299, and 300 – Property remediation and management costs totaling $3,222,399 are denied. The Agency was not able to provide documentation to demonstrate the specific parcels for these costs. Finance approved the Agency's Long-Range Property Management Plan (LRPMP), which directs approximately 82 percent of the properties listed on the LRPMP to be transferred to the City of Oakland for either future development or governmental use. Therefore, Finance is denying Redevelopment Property Tax Trust Fund (RPTTF) funding totaling $695,000. for these items.

- Item No. 6 - Administrative Cost Allowance exceeds the allowance by $20,849. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Alameda County Auditor-Controller's Office distributed $714,819 in administrative costs for the July through December to be applied to the ROPS 14-15A period, thus leaving a balance of $1,462,975 available for the January through June ROPS 14-15B period. Although $1,483,824 is claimed for administrative cost, only $1,462,975 is available pursuant to the cap. Therefore, $20,849 of excess administrative cost is not allowed.

- Item No. 422 – Bond funding request for Oak to 9th in the amount of $21,995,000 is not necessary. During the ROPS review period, the Agency stated that the purchase of the property subject to this request was completed after the ROPS 14-15B was submitted to Finance. Since the request to use Bond Proceeds of $24,000,000 was approved on the

July through December 2014 ROSP (ROSP 14-15A) and that the transaction has been completed, the Agency does not require authorization of these Bond Proceeds for the ROPS 14-15B period.

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 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $50,228,786 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		49,460,811
Total RPTTF requested for administrative obligations		1,483,824
Total RPTTF requested for obligations on ROPS	**$**	**50,944,635**
Total RPTTF requested for non-administrative obligations		**49,460,811**
Denied Items		
Item No. 4		(50,000)
Item No. 5		(25,000)
Item No. 57		(25,000)
Item No. 198		(75,000)
Item No. 199		(70,000)
Item No. 242		(250,000)
Item No. 243		(100,000)
Item No. 299		(50,000)
Item No. 300		(50,000)
		(695,000)
Total RPTTF authorized for non-administrative obligations	**$**	**48,765,811**
Total RPTTF requested for administrative obligations		**1,483,824**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(20,849)
Total RPTTF authorized for administrative obligations	**$**	**1,462,975**
Total RPTTF authorized for obligations	**$**	**50,228,786**
ROPS 13-14B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**50,228,786**

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	23,827,308
Total RPTTF for 14-15B (January through June 2015)	49,010,811
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2014-2015	**72,838,119**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)	2,177,794
Administrative allowance for 14-15A (July through December 2014)	714,819
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	**1,462,975**
Total RPTTF administrative obligations after Finance adjustments	1,483,824
Administrative costs in excess of the cap	**$ (20,849)**

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: Mr. Patrick Lane, Development Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office