



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2014. 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 Finance on October 2, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 13, 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 November 20, 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 Nos. 4 and 5 – Property remediation and management costs totaling \$599,250. Finance continues to deny Item No. 4 and no longer denies Item No. 5. Finance initially denied these items because the Agency was not able to provide documentation to demonstrate the specific parcels for these costs. During the Meet and Confer process, the Agency requested to increase Item No. 4 from \$50,000 to \$90,000 and Item No. 5 from \$25,000 to \$50,000. Based on review of the information provided, the Agency is requesting to increase the amounts to the average historical expenditures on property maintenance of \$140,000 per six-month period. However, this average is based on the costs to maintain all properties that were originally with the Agency, not the costs to maintain the remaining properties with the Agency. Therefore, Finance will not increase the amounts requested.

During the Meet and Confer process, the Agency provided a breakdown of the estimated costs and the associated properties. The property remediation costs for Item No. 4, such as demolition costs and environmental reports, are not required to dispose of the properties and are not associated with an existing enforceable obligation. However, the property management and maintenance costs for Item No. 5 are necessary until the Agency has disposed of the remaining properties. Therefore, Finance is denying

Redevelopment Property Tax Trust Fund (RPTTF) funding for Item No. 4 and approving RPTTF funding for Item No. 5 in the amount of \$25,000 as originally requested.

- Item No. 6 - Administrative Cost Allowance initially exceeded the allowance by \$20,099. 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 \$1,463,725 available for the January through June ROPS 14-15B period. Although \$1,483,824 is claimed for administrative cost, only \$1,463,725 is available pursuant to the cap. Therefore, \$20,099 of excess administrative cost is not allowed.

In addition, per Finance's letter dated November 13, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 57, 198, 199, 242, 243, 299, and 300 – Property remediation and management costs totaling \$2,623,149 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 RPTTF funding totaling \$620,000 for these items.
- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$50,254,536 as summarized in the Approved RPTTF Distribution Table in the following page:

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	
<u>Denied Items</u>	
Item No. 4	(50,000)
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)
	(670,000)
Total RPTTF authorized for non-administrative obligations	\$ 48,790,811
Total RPTTF requested for administrative obligations	
1,483,824	
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(20,099)
Total RPTTF authorized for administrative obligations	\$ 1,463,725
Total RPTTF authorized for obligations	
\$ 50,254,536	
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	\$ 50,254,536

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)	48,790,811
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2014-2015	72,618,119
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	2,178,544
Administrative allowance for 14-15A (July through December 2014)	714,819
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	1,463,725
Total RPTTF administrative obligations after Finance adjustments	1,483,824
Administrative costs in excess of the cap	\$ (20,099)

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.

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