



October 30, 2014

Mr. Patrick Lynch, Director  
City of Richmond  
440 Civic Center Plaza  
Richmond, CA 94804

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 18, 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:

- Claimed administrative costs exceed the allowance by \$96,494. HSC section 34171 (b) limits fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$521,067 in administrative expenses. The Contra Costa County Auditor Controller's Office distributed \$301,959 of administrative costs for the July through December 2014 period, thus leaving a balance of \$219,108 available for the January through June 2015 period. Therefore, \$96,494 of excess administrative cost is not allowed.

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 Redevelopment Property Tax Trust Fund (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 audit 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.

In addition, Finance noted the following during our review:

- On the ROPS 13-14B Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Other Funding totaling \$588,151 – Item Nos. 1 through 5, \$14,065; Item Nos. 7 through 9, \$35,827; Item Nos. 11 and 12, \$2,125; Item No. 14, \$57,357; Item Nos. 54 and 55, \$92,238; Item No. 87, \$49,974; and Item No. 115, \$336,565.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the fund sources specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 13-14B period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Other Funds were previously expended, the increase in authorization should not result in increased expenditures for the current ROPS period, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Additionally, the Agency funded the following obligations from Reserve Balances and Other Funds during the 13-14B period where Finance authorized the use of Bond Proceeds:

- Other Funding totaling \$462,532 – Item No. 62, \$374,565; and Item No. 67, \$87,967.
- Reserve Balances totaling \$1,344,905 – Item Nos. 66 and 67, \$1,315,090; and Item No. 69, \$29,815.

It is our understanding that the source of funding for these items was not Reserve Balances, but rather Low and Moderate Income Housing Funds (LMIHF). The Agency has historically requested the use of Bond Proceeds to fund these obligations, and Finance has approved the use of Bond Funds for these obligations. Furthermore, per Finance's letter dated October 7, 2014, any LMIHF remaining after June 30, 2012 will be remitted to the Contra Costa County Auditor-Controller for distribution to the taxing entities. Therefore, these funds were not available to cover these obligations. To the extent the Agency wishes to recoup the funding source of these obligations, Finance will still approve the use of Bond Funds for Item Nos. 62, 66, 67, and 69.

Except for the item 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 \$10,614,231 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	10,520,059
Total RPTTF requested for administrative obligations	315,602
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 10,835,661</b>
Total RPTTF authorized for non-administrative obligations	10,520,059
Total RPTTF authorized for administrative obligations	219,108
<b>Total RPTTF authorized for obligations</b>	<b>\$ 10,739,167</b>
ROPS 13-14B prior period adjustment	(124,936)
<b>Total RPTTF approved for distribution</b>	<b>\$ 10,614,231</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	6,848,841
Total RPTTF for 14-15B (January through June 2015)	10,520,059
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>17,368,900</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	521,067
Administrative allowance for 14-15A (July through December 2014)	301,959
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>219,108</b>
Total RPTTF administrative obligations after Finance adjustments	315,602
<b>Administrative costs in excess of the cap</b>	<b>\$ (96,494)</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 fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. 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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Lizeht Zepeda, Operations Specialist II, City of Richmond  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County  
California State Controller's Office