



December 17, 2014

Mr. Bradley Ward, Finance Advisor  
City of San Pablo  
13831 San Pablo Avenue  
San Pablo, CA 94806

Dear Mr. Ward:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Pablo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 30, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 14, 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 1, 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 item being disputed.

- Item No. 33 – City of San Pablo (City) Loan for ROPS 13-14B, totaling \$220,060. Finance no longer denies \$143,621 of this item. HSC section 34173 (h) provides that the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs. However, Finance initially denied this item because the loan agreement provided does not specify the loan amount or the ROPS period to which the loan applies. During the Meet and Confer process, the Agency contended that a loan agreement was approved in August 2012 to cover all loans to be made with the specific loan amounts being the subject of separate approvals with each individual ROPS. The estimated loan amount of \$220,060 for the ROPS 13-14B period was approved in the Oversight Board action related to the approval of the January through June 2013 (ROPS 13-14B) period; however, based on information provided by the Agency, this was not the actual amount that was loaned. The Agency provided a breakdown of the specific costs incurred that were paid for by the City totaling \$5,950 for property maintenance and \$137,671 for administrative costs. Therefore, this item is eligible for Reserve Balances funding totaling \$143,621.

In addition, per Finance's letter dated November 14, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (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 provided financial records that displayed available Reserve Balances totaling \$1,388,397 and available Other Funds totaling \$123,108.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and Other Funds and in the amounts specified below:

- Item No. 39 – 2014 Tax Allocation Refunding Bonds Series 2014B. The Agency requests \$1,678,100 from RPTTF; however, Finance is reclassifying \$1,168,337 to Reserve Balances and \$123,108 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$1,388,397 in available Reserve Balances and \$123,108 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$386,655, the use of Reserve Balances in the amount of \$1,168,337, and the use of Other Funds in the amount of \$123,108, totaling \$1,678,100.

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 item denied in whole or in part or items that have been reclassified, 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 \$5,309,559 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          | 6,378,514           |
| Total RPTTF requested for administrative obligations              | 222,490             |
| <b>Total RPTTF requested for obligations on ROPS</b>              | <b>\$ 6,601,004</b> |
| <b>Total RPTTF requested for non-administrative obligations</b>   | <b>6,378,514</b>    |
| <u>Cash Balances - Item reclassified to other funding sources</u> |                     |
| Item No. 39   | (1,291,445)         |
| <b>Total RPTTF authorized for non-administrative obligations</b>  | <b>\$ 5,087,069</b> |
| <b>Total RPTTF requested for administrative obligations</b>       | <b>222,490</b>      |
| <b>Total RPTTF authorized for administrative obligations</b>      | <b>\$ 222,490</b>   |
| <b>Total RPTTF authorized for obligations</b>                     | <b>\$ 5,309,559</b> |
| ROPS 13-14B prior period adjustment                               | 0                   |
| <b>Total RPTTF approved for distribution</b>                      | <b>\$ 5,309,559</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. The Agency was able to support the amounts reported except bond proceeds and

bond reserves. Therefore, as noted above, Finance has reclassified the available cash balances of \$1,291,445 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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>

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. Kelsey Worthy, Assistant City Manager, City of San Pablo  
Mr. Bob Campbell, Auditor-Controller, Contra Costa County  
California State Controller's Office