

December 17, 2014

Mr. Jim Steele, Finance Director  
City of South San Francisco  
P.O. Box 711  
South San Francisco, CA 94083

Dear Mr. Steele:

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 South of San Francisco Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 1, 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 3, 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 No. 49 – Property disposition costs in the amount of \$300,000. Finance continues to deny \$225,000 of this item. Finance previously denied this item because the funding request appeared excessive since similar disposition activities for the same requested amounts were approved and have received Redevelopment Property Tax Trust Funds (RPTTF) funding on ROPS 14-15A. During the meet and confer process, the Agency provided additional documentation to support that while \$4,207,499 was requested through July through December 2014 (ROPS 14-15A), Finance only approved \$2,532,499. In addition, only \$166,870 was expended through the January through June 2014 (ROPS 13-14B) period. The Agency also provided a breakdown of the intended costs including appraisals, survey work, building improvements, and relocation. However, only the appraisals estimated at \$75,000 are approved at this time. The costs associated with survey work, building improvements, and relocation are denied as these are not enforceable obligations. Additionally, the Agency's LRPMP has not been approved by Finance to determine if these proposed costs will be necessary to dispose of the Agency's properties. Therefore, the Agency is permitted to receive \$75,000 of RPTTF for appraisals during the ROPS 14-15B period and the remaining \$225,000 is denied.

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:

- Claimed administrative costs exceed the allowance by \$6,750. 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 San Mateo County Auditor-Controller's (CAC) Office distributed RPTTF in the amount of \$171,868 for the July through December 2014 (ROPS 14-15A) administrative costs, thus leaving a balance of \$106,210 available for the January through June 2015 period. Although \$115,210 is claimed for administrative cost, only \$108,460 is available pursuant to the cap. Therefore, \$6,750 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. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,026,093 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	4,107,809
Total RPTTF requested for administrative obligations	115,210
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 4,223,019</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>4,107,809</b>
<u>Denied Item</u>	
Item No. 49	(225,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 3,882,809</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>115,210</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(6,750)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 108,460</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 3,991,269</b>
ROPS 13-14B prior period adjustment	(965,176)
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,026,093</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	5,461,445
Total RPTTF for 14-15B (January through June 2015)	3,882,809
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>9,344,254</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	280,328
Administrative allowance for 14-15A (July through December 2014)	171,868
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>108,460</b>
Total RPTTF administrative obligations after Finance adjustments	115,210
<b>Administrative costs in excess of the cap</b>	<b>\$ (6,750)</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 with the exception of the Reserve Balance. 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>

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),

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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 Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Bertha Aguilar, Management Analyst, City of South San Francisco  
Mr. Bob Adler, Auditor-Controller, County of San Mateo  
California State Controller's Office