DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 13, 2015

Mr. Eric Angstadt, Planning Director
City of Berkeley
2118 Milvia Street, 3rd floor
Berkeley, CA 94704

Dear Mr. Angstadt:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Berkeley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 27, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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 No. 3 – The outstanding balance for the $1 Million Bond. Our review noted that the City Loan balance is overstated. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The accumulated interest on the loan should be recalculated using the quarterly LAIF interest rate at the time when the Agency's Oversight Board (OB) makes a finding the loan was for legitimate redevelopment purposes. The OB made its finding on September 26, 2014; therefore, the LAIF rate available at that time was 0.22 percent.

  Furthermore, the recalculated principal includes an additional amount of $208,245 for the purpose of making payments to the Low and Moderate Income Housing Fund (LMIHF). Pursuant to HSC section 34191.4 (C) twenty percent of any loan repayments shall be deducted from the loan repayment amount and shall be transferred to the LMIHF. Therefore, Finance is reducing the Agency's total loan outstanding balance to $1,041,225 ($1,249,470 - $208,245), which is the original principal and recalculated interest amount.

  The outstanding balance should be updated every 6-months to reflect the outstanding balance for the current ROPS period. The Agency was approved and funded for the loan repayments in the amount of $30,968 on previous ROPS. Finance recalculated the total loan outstanding to be approximately $1,010,527, and has therefore reduced the outstanding loan balance from $1,249,470 reported on the Agency's ROPS Detail Form by $239,213 ($208,245 + $30,968). Additionally, we are approving loan repayments of

$342,171 on the current ROPS; therefore, the outstanding loan balance on the subsequent ROPS should also be updated to reflect the loan repayment made during ROPS 15-16A.

City Loan repayment in the amount of $282,564 is not allowed. The Agency received a Finding of Completion on July 31, 2014. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $444,456 and $1,128,797, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is $342,171. Therefore, of the $624,735 requested, $282,564 of excess loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 16-17A.

- Item Nos. 29 and 31 – Contract for Consulting Services in the amount of $7,000 and Real Estate Agent in the amount of $5,000 are not approved. Our review indicates the amount requested are for costs associated with the disposition of 1631 and 1654 Fifth Street housing properties. During our review of OB Resolution 2015-02-N.S, Finance approved the transfer of these housing properties to the City of Berkeley (City) acting as housing successor. The City is now responsible for any costs associated with the disposition of these housing properties. Therefore, the total of $12,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Review of ROPS 15-16A incorporated action taken by the OB Resolution No. 2015-01-N.S. which approved an expenditure agreement between the Agency and the City for the 2005 Refunding Tax Allocation Bonds and bond spending plan. Finance approves the OB action and the transfer of the bond proceeds to the City, as listed for Item Nos. 21, 25, and 32 on ROPS 15-16A.

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 of $313,998 and Other Funds in the amount of $144,181 totaling $458,179.

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

- Item No. 2 – Savo Island Loan Payable in the amount of $41,680. The Agency requests $41,680 of RPTTF; however, Finance is reclassifying $41,680 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has $141,181 in

available Other Funds. Therefore, Finance is approving RPTTF in the amount of $0 and the use of Other Funds in the amount of $41,680.

- Item No. 3 – $1 Million Bond City Loan in the amount of $342,171. The Agency requests $624,735 of RPTTF; however only $342,171 is eligible for repayment as noted above. Finance is reclassifying the full $342,171 from RPTTF to Reserve Balances and Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has $313,998 in available Reserve Balances and $141,181 in Other Funds. Therefore, Finance is approving RPTTF in the amount of $0, the use of Reserve Balances in the amount of $313,998 and Other Funds in the amount of $28,173, totaling $342,171.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 and items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 $68,080 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		678,415
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**803,415**
Total RPTTF requested for non-administrative obligations		**678,415**
Denied Items		
Item No. 3		(282,564)
Item No. 29		(7,000)
Item No. 31		(5,000)
		(294,564)
	$	**383,851**
Cash Balances - Items reclassified to Other Funds/Reserve Balances		
Item No. 2		(41,680)
Item No. 3		(342,171)
		(383,851)
Total RPTTF authorized for non-administrative obligations	**$**	**-**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**125,000**
ROPS 14-15A prior period adjustment		(56,920)
Total RPTTF approved for distribution	**$**	**68,080**

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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
Program Budget Manager

cc: Ms. Danita Hardaway, Associate Management Analyst, City of Berkeley
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office