



May 15, 2015

Ms. Kelly McAdoo, Assistant City Manager
City of Hayward
777 B Street
Hayward, CA 94541

Dear Ms. McAdoo:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 3, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hayward Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 19, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 3, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 16, 2015.

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 determinations being disputed.

- Item No. 36 – Project Delivery Costs – Burbank Residual Site in the amount of \$4,436 is not an enforceable obligation. Finance continues to deny this item. Finance initially denied this item because HSC section 34177.3 (a) states that agencies shall lack the authority to, and shall not create new enforceable obligations or begin new redevelopment work. During the Meet and Confer process, the Agency contended that they need to fund the continued monitoring and enforcement required to properly enforce the terms of the Purchase and Sale Agreement entered into on January 2, 2013, between Urban Dynamic, LLC and the Agency. However, an Oversight Board approved resolution for the Purchase and Sale Agreement still has not been submitted to Finance by electronic means and in the manner of the our choosing for review. As such, any financial obligations the Agency may be incurring pursuant to the Purchase and Sale Agreement have not been approved by Finance and are not allowable pursuant to HSC section 34177.3 (a). Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 48 – Repayment Agreement with the City of Hayward (City) in the amount of \$11,156,841 is not allowed. Finance continues to deny this item at this time. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the following

requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on November 8, 2013. However, OB Resolution 2015-02, approving the City Repayment Agreement in the amount of \$11,156,841 as an enforceable obligation and finding the loan was for legitimate redevelopment purposes, was denied in our letter dated April 3, 2015. Pursuant to HSC section 34171 (d) (1), loans are defined as loans of moneys borrowed by the former RDA for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. However, the Agency was unable to identify the amount of funds versus in-kind services that comprise the loans made by the City, and therefore Finance could not determine if there were actual funds loaned to the Agency. Consequently, the City Loan is not eligible for repayments at this time.

During the Meet and Confer process, the Agency contended that nothing in HSC section 34191.4 requires the Agency to prove how much of the assistance provided under the Loan Agreement was a loan of funds or in-kind services. However, without additional documentation supporting the funds that have been loaned and any amounts that have been repaid, Finance cannot verify the remaining principal amount owed, if any. Additionally, the Agency contended that Finance lacks the authority to second guess the Oversight Board's finding that the Loan Agreement was for legitimate redevelopment purposes. However, HSC section 34179 (h) states that Finance may review an OB action taken pursuant to Part 1.85 and HSC section 34191.4 (b) is within Part 1.85.

To the extent the Agency can provide additional documentation to demonstrate the funds actually loaned and any repayments made, this item may be eligible for repayment on a future ROPS.

- Item No. 70 and 71 – Public Employee Retirement System Liability and Other Post-Employment Benefits Liability in the amount of \$843,462 (\$666,235 + 177,227). Finance continues to deny these items at this time. Although this item is considered an enforceable obligation, Finance initially denied these items because they have already been approved to be funded from the RPTTF during the July through December 2013 ROPS period (ROPS 13-14A) and the Agency reported these items as paid in the prior period adjustment form submitted with the July through December 2014 ROPS period (ROPS 14-15A). The Agency was unable to provide sufficient documentation to support that this obligation is unfunded. During the Meet and Confer process, the Agency contended that the RPTTF funds were reported as spent, but the transfer of the funds to the retirement trust fund was never made and as a result the funds were subsequently identified as reserve funds and spent on items approved in ROPS 14-15A. However, since these items were to be paid from RPTTF funds, the amounts received would not have been included in the reserve balances that were to be used in the ROPS 14-15A period. Although as Finance notes below, the Agency has been unable to describe the discrepancies between the December 31, 2014 Trial Balance and the cash reported on the Report of Cash Balances at December 31, 2014. As such, Finance will continue to work with the Agency to properly identify the Agency's cash balances and to determine if this item has already been funded. Therefore, this item is currently not eligible for RPTTF funding.

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, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,004,369 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	3,821,252
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 3,946,252
Total RPTTF requested for non-administrative obligations	3,821,252
<u>Denied Items</u>	
Item No. 36	(4,436)
Item No. 48	(72,853)
Item No. 70	(666,235)
Item No. 71	(177,227)
	(920,751)
Total RPTTF authorized for non-administrative obligations	\$ 2,900,501
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,025,501
ROPS 14-15A prior period adjustment	(21,132)
Total RPTTF approved for distribution	\$ 3,004,369

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The Agency has not recorded payment for its SERAF loan in its December 31, 2014 Trial Balance, despite reporting it as paid on the Prior Period Adjustments Report. The Agency noted that is unable to describe the discrepancies between the December 31, 2014 Trial Balance and the cash reported on the Report of Cash Balances at December 31, 2014. As a result, Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

Please refer to the ROPS 15-16A 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Tracy Vesely, Finance Director, City of Hayward
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office