



April 6, 2015

Mr. Al Savay, Community Development Director
City of San Carlos
600 Elm Street
San Carlos, CA 94070

Dear Mr. Savay:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Carlos Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 25, 2015 for the period 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. 8 – Contract for Legal Services in the amount of \$50,000 is partially approved. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is \$50,000, the Agency was only able to provide support \$32,960; therefore, \$17,040 (\$50,000 - \$32,960) remains unsupported. Additionally, it is our understanding that \$10,429 of the \$32,960 represents legal services rendered on behalf of the Housing Successor. HSC section 34176 (a) (1) states that if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of San Carlos assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, the excess \$10,429 is not an enforceable obligation and not eligible for RPTTF funding. Furthermore; although enforceable, the types of services requested totaling \$7,339 are considered general administrative costs and have been reclassified.

Of the \$50,000 originally requested, \$15,192 (\$32,960 - \$10,429 - \$7,339) is approved for funding from RPTTF, and \$7,339 is approved for funding from the Administrative Cost Allowance, and \$27,469 (\$17,040 + \$10,429) is denied.

- Item No. 12 – Maintenance of Properties from RPTTF funding in the amount of \$10,000 is partially allowed. Although total RPTTF requested is \$10,000, only \$5,000 is related to an enforceable obligation of maintaining the property located at 1245 San Carlos Avenue which is to be sold pursuant to the Agency's Long-Range Property Management

Plan. It is our understanding the Agency is also requesting \$5,000 for property maintenance on the property located at 616 Laurel Street. However, this property has been approved to transfer to the City as a government purpose property and the maintenance costs should be paid by the City. Therefore, the excess \$5,000 is not an enforceable obligation and 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 on the following page 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 or item that has 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 \$1,069,617 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	1,023,928
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 1,148,928
Total RPTTF requested for non-administrative obligations	1,023,928
<u>Denied Items</u>	
Item No. 8	(27,469)
Item No. 12	(5,000)
	(32,469)
<u>Reclassified Item</u>	
Item No. 8	(7,339)
Total RPTTF authorized for non-administrative obligations	\$ 984,120
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 8	7,339
Total RPTTF authorized for administrative obligations	\$ 132,339
Total RPTTF authorized for obligations	\$ 1,116,459
ROPS 14-15A prior period adjustment	(46,842)
Total RPTTF approved for distribution	\$ 1,069,617

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 (j). 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 Wendy Griffe, Supervisor or Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Samuel Hughes, Economic Development Coordinator, San Carlos
Mr. Bob Adler, Auditor-Controller, San Mateo County
California State Controller's Office