



May 15, 2015

Ms. Stephanie Lovette, Economic Development Manager
City of San Rafael
1400 Fifth Avenue
San Rafael, CA 94901

Dear Ms. Lovette:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Rafael Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 2, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 12, 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 24, 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.

- During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) funding. 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 \$489,753.

During the Meet and Confer process, the Agency contended that a reserve needs to be maintained to pay for enforceable obligations because the Marin County Auditor-Controller does not follow the statutory payment dates. However, there is nothing in statute that allows for a reserve of funds unless required pursuant to an enforceable obligation. Furthermore, the dissolution statutes require that all property tax increment revenues generated in a project area flow through the appropriate successor agency's RPTTF and by flowing the funds through the RPTTF this will ensure that all obligations of the former RDA are appropriately funded.

Therefore, the funding source for the following items continues to be reclassified to Reserve Balances and in the amounts specified below:

- Item No. 2 – 2002 Tax Allocation Bond in the amount of \$289,310. The Agency requests \$1,927,013 of RPTTF; however, Finance is reclassifying \$289,310 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the Agency has \$489,753 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$1,637,703 and the use of Reserve Balances in the amount of \$289,310, totaling \$1,927,013.
- Item No. 7 – Continuing Disclosure Fees in the amount of \$10,000. The Agency requests \$10,000 of RPTTF; however, Finance is reclassifying the entire \$10,000 to Reserve Balances. 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 \$489,753 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$10,000.
- Item No. 12 – RDA Pension Obligation in the amount of \$190,443. The Agency requests \$190,443 of RPTTF; however, Finance is reclassifying the entire \$190,443 to Reserve Balances. 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 \$489,753 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$190,443.

In addition, per Finance's letter dated April 12, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 9 – Agency administrative cost in the amount of \$125,000 is reclassified to Administrative Cost. The Agency requested \$125,000 in admin expenses in Non-Admin RPTTF. Obligations related to general administrative purposes are considered administrative costs and included in Administrative Cost. As a result, the total ROPS 15-16A Non-Admin RPTTF and Administrative Cost has been respectively decreased and increased by \$125,000.
- Item No. 28 – RPTTF shortfall in the amount of \$125,000. The Agency requested \$125,000 in Administrative RPTTF due to a prior period RPTTF shortfall. However, this item is considered a non-administrative cost for this ROPS period so it is not applied towards Agency's administrative cost allowance for the current fiscal year. As a result, the total ROPS 15-16A Administrative Cost has been reduced and Non-Admin RPTTF has been increased by \$125,000.

Review of ROPS 15-16A included Agency's Oversight Board (OB) Resolution No. 2015-2. The OB action approving the Public Improvement Agreement between the City of San Rafael (City) and the Agency for use of bond proceeds, is approved. The expenditure and transfer of the bond proceeds to the City, listed as Item No. 30 on ROPS 15-16A is considered an enforceable obligation.

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. 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 items that have been reclassified, 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 \$3,651,819 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	4,017,547
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 4,142,547
Total RPTTF requested for non-administrative obligations	4,017,547
<u>Reclassified Items</u>	
Item No. 9	(125,000)
Item No. 28	125,000
	0
	\$ 4,017,547
<u>Cash Balances - Items reclassified to Reserve Balances</u>	
Item No. 2	(289,310)
Item No. 7	(10,000)
Item No. 12	(190,443)
	(489,753)
Total RPTTF authorized for non-administrative obligations	\$ 3,527,794
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 9	125,000
Item No. 28	(125,000)
	0
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,652,794
ROPS 14-15A prior period adjustment	(975)
Total RPTTF approved for distribution	\$ 3,651,819

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. Andrea Gilles, Administrative Assistant, City of San Rafael
Mr. Roy Given, Director of Finance, Marin County
California State Controller's Office