



May 15, 2015

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 April 10, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of South San Francisco Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 27, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 10, 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 23, 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. 49 – Property Disposition Costs in the amount of \$350,000. Finance continues to deny \$275,000 of this item at this time. Finance previously denied this item because the Agency was requesting funding to commission an environmental study to determine the current condition and to obtain estimates on remediation of allegedly contaminated property on the Agency's Long-Range Property Management Plan (LRPMP). HSC section 34163 (b), prohibits a successor agency from entering into contracts for, among other things, rehabilitation, site remediation, site development or improvement. During the Meet and Confer process, the Agency claimed that the requested amount is necessary because the properties that will be sold pursuant to the Long Range Property Management Plan are heavily contaminated which must be disclosed to the buyer. However, 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 15-16A period and the remaining \$275,000 is denied.
- Item No. 50 – Property Disposition Costs in the amount of \$150,000 is denied. Finance continues to deny this item at this time. During the Meet and Confer process the Agency claimed that these funds would be needed if the LRPMP is approved by Finance during the ROPS 15-16A period. In addition, the Agency provided a spreadsheet to support the

amounts claimed. However, our review of the spreadsheet indicates that many of the activities will not be needed if the LRPMP is approved as submitted. Therefore, as previously determined, the Agency was authorized \$150,000 for the ROPS 14-15B period for the legal and staff costs associated with property disposition; however, the Agency's LRPMP has not yet been approved by Finance. In addition, the Agency's request for environmental remediation funding in Item No. 49 has been disallowed, thereby negating the need for additional legal and staff costs. Therefore, the request for additional funding appears excessive, and the request for \$150,000 of RPTTF is denied.

- Item No. 69 – 630 through 634 El Camino Real Tenant Improvements in the amount of \$450,000 of RPTTF. Finance notes that although the referenced address for the description is 630 through 634 El Camino Real, the tenant improvements are for 636 El Camino Real, subject to a Master Lease agreement dated March 1, 2011. Finance continues to deny this item. During the Meet and Confer process, the Agency did not provide additional documentation to support this item is an enforceable obligation.

The Agency submitted its Oversight Board (OB) Resolution 12-2013, assigning the Master Lease for this property to the City of South San Francisco (City), on April 16, 2013. In a May 29, 2013 email to Finance, the Agency provided assurance that if the lease was assigned to the City, the Agency would have no further financial (or other) responsibilities, now or in the future. This information was instrumental in Finance's decision to approve OB Resolution 12-2013 on May 31, 2013. Based on information provided by the Agency, this Item is not an enforceable obligation of the Agency and is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 45 – Maintenance of Non-Housing Properties in the amount of \$100,000 is partially approved. The Agency received authorization for \$100,000 in ROPS 14-15B; however, the Agency has not yet entered into service agreements. Therefore, based upon historical expenditures and existing authorization, the request for \$100,000 appears excessive. Finance is partially approving \$75,000 of Redevelopment Property Tax Trust Fund (RPTTF) funding, and \$25,000 of RPTTF is not allowed during this period.
- Item No. 46 – Maintenance of Non-Housing Properties in the amount of \$100,000 is partially approved. The Agency received authorization for \$100,000 in ROPS 14-15B; however, the Agency has not yet entered into service agreements. Therefore, based upon historical expenditures and existing authorization, the request for \$100,000 appears excessive. Finance is partially approving \$50,000 of RPTTF funding, and \$50,000 of RPTTF is not allowed during this period.

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 in the table on the next 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, 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 \$5,619,513 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	7,601,509
Total RPTTF requested for administrative obligations	145,000
Total RPTTF requested for obligations on ROPS	\$ 7,746,509
Total RPTTF requested for non-administrative obligations	7,601,509
Denied Items	
Item No. 45	(25,000)
Item No. 46	(50,000)
Item No. 49	(275,000)
Item No. 50	(150,000)
Item No. 69	(450,000)
	(950,000)
Total RPTTF authorized for non-administrative obligations	\$ 6,651,509
Total RPTTF requested for administrative obligations	145,000
Total RPTTF authorized for administrative obligations	\$ 145,000
Total RPTTF authorized for obligations	\$ 6,796,509
ROPS 14-15A prior period adjustment	(1,176,996)
Total RPTTF approved for distribution	\$ 5,619,513

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 Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

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