



November 13, 2015

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

Dear Ms. McAdoo:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Hayward Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 1 and 6 – Finance is approving the Agency's request to increase Redevelopment Property Tax Trust Fund (RPTTF) funding for these items. The Agency should have requested \$2,558,663 for the 2004 Series Bonds and \$363,304 for the 2006 Series Bonds. As a result, total RPTTF requested for the ROPS 15-16B period has been increased by \$1,835,000.
- Item Nos. 23, 25, 27, 29, 31, 72, and 73 – Obligations related to Cinema Place and Cinema Place Parking Structure totaling \$38,592 has been reclassified to Other Funds. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available. Pursuant to the lease agreement, the tenant pays \$50,000 each January 1; therefore, the Agency has other funding source available to fund the items and the RPTTF requested is reclassified to Other Funds.
- Item No. 38 – Contract for environmental remediation in the amount of \$70,815 is not allowed. The Agency provided a contract with a termination date December 31, 2015, which is prior to the start of the ROPS 15-16B period. Additionally, the Agency believes work should be completed by the end of the contract. Since the contract will expire and project work should be completed prior to the ROPS 15-16B period, the item is not eligible for Reserve Balance funding on this ROPS.
- Item No. 48 – The total outstanding balance for the Reentered Repayment Agreement (Reentry Agreement) with the City of Hayward is overstated. The Reentry Agreement

was approved by the Oversight Board on May 21, 2012 for a loan repayment in the amount of \$7,789,843. Therefore, the outstanding loan balance reported on the Agency's ROPS Detail Form should be \$7,789,843. Additionally, we are approving loan repayments of \$800,000 payable from RPTTF on the current ROPS; therefore, the outstanding loan balance on the subsequent ROPS should be updated to reflect the loan repayment made during the ROPS 15-16B.

- Item No. 64 – Housing Authority Administrative Cost Allowance in the amount of \$150,000 is not allowed. Finance continues to deny this item as an enforceable obligation. Finance denied this item pursuant to HSC section 34171 (p), which states the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Hayward (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law.

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) (2) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by Assembly Bill 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance

- Item Nos. 70 and 71 – PERS and OPEB Liabilities in the amounts of \$666,235 and \$177,227 had been reclassified to Reserve Balance funding. Although the Agency received sufficient funding and self-reported full expenditure of these items during the June to December 2013 (ROPS 13-14A) period, the Agency is contending that these items remain outstanding. The Agency provided accounting records to clarify that the funding received did not transfer to the City and the cash to pay the items were part of Reserve Balances identified on the ROPS 14-15A Report of Cash Balances, which were reclassified by Finance to pay for other enforceable obligations. However, Finance's review of the accounting records identified the Agency made unauthorized payments to satisfy its Supplemental Educational Revenue Augmentation Fund (SERAF) loan (Item No. 49) to the City totaling \$2,584,344 during the ROPS 13-14A period. Additionally, the

accounting records noted that the Agency had paid the SERAF obligation in full during the ROPS 14-15B period, but the Agency continued to request and received RPTTF funding in the amount of \$1,736,807 during ROPS 15-16A.

As such, the \$1,736,807 in RPTTF funding received during ROPS 15-16A is not needed for its SERAF obligation (Item No. 49), which was fully paid prior to ROPS 15-16A, and the amount is now considered cash available to pay enforceable obligations on ROPS 15-16B. Therefore, requested funding for Item Nos. 70 and 71 have been reclassified to Reserve Balance funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 or the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,423,191 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	2,957,270
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 3,082,270
RPTTF adjustment to non-administrative obligations	
Item No. 1	1,745,000
Item No. 6	90,000
Total RPTTF adjustments	\$ 1,835,000
Total RPTTF requested for non-administrative obligations	4,792,270
<u>Denied Item</u>	
Item No. 64	(150,000)
<u>Reclassified Items</u>	
Item No. 23	(1,066)
Item No. 25	(3,900)
Item No. 27	(5,200)
Item No. 29	(13,260)
Item No. 31	(416)
Item No. 70	(666,235)
Item No. 71	(177,227)
Item No. 72	(11,750)
Item No. 73	(3,000)
	(882,054)
Total RPTTF authorized for non-administrative obligations	\$ 3,760,216
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,885,216
ROPS 14-15B prior period adjustment	(462,025)
Total RPTTF approved for distribution	\$ 3,423,191

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (I) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

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