



November 6, 2015

Ms. Terri Simon, Redevelopment Specialist
City of Richmond
450 Civic Center Plaza, 2nd floor
Richmond, CA 94804

Dear Ms. Simon:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond 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 25, 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 37 – Project Management Costs for Contract Project Monitoring in the amount of \$50,000 are not allowed. The Agency provided a list of the total amounts needed for the six-month period based on the project, rather than employee duties or tasks performed for each project. To the extent the Agency can provide suitable documentation, such as payroll or project management reports, by employee or task, to support the amount claimed, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) in the future. Therefore, this item is not eligible for RPTTF funding on this ROPS.
- Item Nos. 55 and 68 – Metrowalk Phase II/BART Garage and Miraflores Projects totaling \$36,114,035. It is our understanding the Agency is requesting total project budget amounts rather than an estimate of the amount needed during the upcoming six-month period. To the extent the Agency can provide sufficient documentation to support the amounts claimed, such as executed contracts or vendor invoices, the Agency may be able to obtain Other Funds and RPTTF funding on future ROPS. Therefore, the Agency is not eligible for Other Funds in the amount of \$32,292,051, and RPTTF funding in the amount of \$3,821,984, on this ROPS.
- Item No. 69 – Miraflores Legal Services in the amount of \$245,000 is partially allowed. It is our understanding an Agreement for Legal Services dated September 2015 between the Agency and Holland & Knight, LLP provides legal services related to the Miraflores project at a cost not to exceed \$520,000.

While this agreement is an enforceable obligation, the Agency has previously expended \$436,929 under the contract. As a result, only \$83,071 remains available. Furthermore, the Agency is requesting another \$245,000 on this ROPS. Therefore, the excess,

\$161,929 (\$520,000 - \$436,929 - \$245,000) is not eligible for funding from Other Funds or Bond Proceeds.

- Item No. 120 – Miraflores Revolving EPA loan in the amount of \$648,000. Finance continues to deny this item. The Agency contends this was an enforceable obligation to retire a U.S. Environmental Protection Agency (EPA) Revolving Loan Fund. However, the U.S. EPA agreement has a budget and project end date of September 30, 2010.

Additionally, Table B of the agreement states the recipient may not subgrant to itself. As such, it is unclear how the former redevelopment agency (RDA) borrowed funds from the Revolving Loan Fund or what obligation remains after the agreement end date. Therefore, this item is currently not eligible for RPTTF funding.

- Item No. 123 – Miraflores Housing/Baxter Creek in the amount of \$3,835,000. Finance continues to deny this item. The Agency contends they are required to provide matching funds to finance creek restoration activities at the project site in order to fulfill environmental commitments required by the grant implementation requirements.

However, the grant agreements with the California Natural Resources Agency and the California Coastal Conservancy were awarded to, and entered into, by the City of Richmond, not the former RDA. Therefore, this item is an obligation of the City, not the Agency, and is not eligible for Other Funds in the amount of \$3,235,000, or RPTTF funding in the amount of \$600,000, on this ROPS.

- The Agency's claimed administrative costs exceed the allowance by \$178,098. HSC section 34171 (b) (2) limits the fiscal year 2015-2016 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. The Contra Costa County Auditor-Controller distributed \$250,000 for the July through December 2015 period, leaving a balance of \$211,567 available for the January through June 2016 period. Although \$389,665 is claimed for administrative costs, only \$211,567 is available pursuant to the cap. Therefore, \$178,098 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), 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) also specifies the prior period adjustment self-reported by the Agency is 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 Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

Item No.	Obligation	Funding Source	Approved Amount
1.	1998 Tax Allocation Refunding Bond	Other Funds	\$2,714
3.	2003A Tax Allocation Revenue Bond	Other Funds	\$302
4.	2003B Tax Allocation Revenue Bond	Other Funds	\$1,249
5.	2004A Tax Allocation Revenue Bond	Other Funds	\$201
7.	2010A Tax Allocation Refunding Bond	Other Funds	\$4,220

11.	2004A Tax Allocation Revenue Bond	Other Funds	\$1,356
12.	2004B Tax Allocation Revenue Bond	Other Funds	\$428
14.	2007B Tax Allocation Capital Appreciation Bond	Other Funds	\$1,802
67.	Miraflores Project - Remediation	Other Funds	\$23,446
69.	Miraflores	Other Funds	\$218,315
121.	2014A Refunding Bonds	Other Funds	\$5,227
122.	2014B Refunding Bonds	Other Funds	\$3,727

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS, up to the amount authorized by Finance.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, 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, 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 \$6,736,945 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	12,988,827
Total RPTTF requested for administrative obligations	389,665
Total RPTTF requested for obligations on ROPS 15-16B	\$ 13,378,492
Total RPTTF requested for non-administrative obligations	12,988,827
<u>Denied Items</u>	
Item No. 37	(50,000)
Item No. 55	(2,321,984)
Item No. 68	(1,500,000)
Item No. 120	(648,000)
Item No. 123	(600,000)
	(5,119,984)
Total RPTTF authorized for non-administrative obligations	\$ 7,868,843
Total RPTTF requested for administrative obligations	389,665
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(178,098)
Total RPTTF authorized for administrative obligations	\$ 211,567
Total RPTTF authorized for obligations	\$ 8,080,410
ROPS 14-15B prior period adjustment	(1,343,465)
Total RPTTF approved for distribution	\$ 6,736,945

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	7,516,714
Total RPTTF for 15-16B (January through June 2016)	7,868,843
Total RPTTF for fiscal year 2015-2016	15,385,557
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	461,567
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	211,567
ROPS 15-16B administrative obligations after Finance adjustments	(389,665)
Administrative costs in excess of the cap	\$ (178,098)

During the ROPS 15-16B period, the Agency reported cash balances and activity for the period January 1, 2015 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 cash 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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
 Program Budget Manager

cc: Mr. Chadrick Smalley, Manager, City of Richmond
 Mr. Bob Campbell, Auditor-Controller, Contra Costa County