



November 5, 2015

Mr. Jeff Kay, Business Development Manager
City of San Leandro
835 East 14th Street
San Leandro, CA 94577

Dear Mr. Kay:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of San Leandro 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 23, 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 No. 42 - Litigation costs in the amount of \$20,000 have been reclassified to the administrative cost allowance (ACA). Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable out of the ACA.

Therefore, administrative costs exceed the allowance by \$75,000. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of the Redevelopment Property Tax Trust Fund (RPTTF) funds allocated to the Redevelopment Obligation Retirement Fund for the fiscal year or \$250,000. The Alameda County Auditor-Controller (CAC) distributed \$125,000 for the July through December 2015 period, thus leaving a balance of \$125,000 available for the January through June 2016 period. Although \$180,000 is claimed for ACA, Item No. 42 for litigation cost in the amount of \$20,000 is considered general administrative cost and should be counted toward the cap. Therefore, \$75,000 of excess administrative cost is not allowed.

- Item No. 46 – City Advance Shortfall in the amount of \$779,051 is not allowed. The Agency contends it will have insufficient funds during ROPS 15-16A. The Oversight Board (OB) Resolution No. 2015-002, approving the advance from the City to the Agency, was denied by Finance. Further, HSC section 34173 (h) (1) states the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for the payment of administrative costs or enforceable obligations to the extent that the successor agency receives an insufficient

distribution from the RPTTF, or other approved sources of funding are insufficient, to pay approved enforceable obligations in the recognized obligation payment schedule period. The CAC reported the Agency received a RPTTF distribution equal to the amount Finance approved for ROPS 15-16A. The Agency was not insufficient in RPTTF during ROPS 15-16A to warrant a city loan pursuant to HSC section 34173 (h) (1). Therefore, this item is not eligible for RPTTF 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 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.

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:

- Bond Proceeds totaling \$33,427 – Item No. 23, \$33,427.

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) (1) 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 or that has 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,893,659 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	5,952,038
Total RPTTF requested for administrative obligations	180,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 6,132,038
Total RPTTF requested for non-administrative obligations	5,952,038
<u>Denied Item</u>	
Item No. 46	(779,051)
<u>Reclassified Item</u>	
Item No. 42	(20,000)
Total RPTTF authorized for non-administrative obligations	\$ 5,152,987
Total RPTTF requested for administrative obligations	180,000
<u>Reclassified Item</u>	
Item No. 42	20,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(75,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 5,277,987
ROPS 14-15B prior period adjustment	(384,328)
Total RPTTF approved for distribution	\$ 4,893,659

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	2,806,215
Total RPTTF for 15-16B (January through June 2016)	5,152,987
Total RPTTF for fiscal year 2015-2016	7,959,202
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(125,000)
Remaining administrative cost cap for ROPS 15-16B	125,000
ROPS 15-16B administrative obligations after Finance adjustments	(200,000)
Administrative costs in excess of the cap	\$ (75,000)

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 (l) (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: Mr. David Baum, Finance Director, City of San Leandro
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda County