



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 5, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Leandro Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 23, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 5, 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 November 16, 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. 46 – City Advance Shortfall in the amount of \$779,051. Finance continues to deny this item. The Agency claims that it had insufficient funds during the July through December 2015 period (ROPS 15-16A). The Agency contends this occurred because Finance reclassified items from the Redevelopment Property Tax Trust Fund (RPTTF) to Reserve Balances on the ROPS 15-16A and those Reserve Balances did not exist.

During the Meet and Confer, the Agency attempted to demonstrate the available cash balance by providing accounting records to support previously reported and unreported expenditures from the July through December 2014 ROPS (ROPS 14-15A) period. However, absent a more extensive review of the Agency's cash balances and expenditures, we were unable to identify the funding shortfall. For instance, our review of the Agency's records indicate that the Agency expended funds totaling at least \$510,000 during ROPS 14-15A in excess of Finance-approved amounts or on items not requested for funding on the ROPS 14-15A. Pursuant to HSC section 34177 (a) (3), only those items listed in the ROPS may be made by the Agency from the funds specified on the ROPS. Because the Agency did not have the authority to make payments on those items, the funding should be available. Therefore, a loan from the City was not necessary. Further, we note that Oversight Board (OB) Resolution No. 2015-002, approving the advance from the City to the Agency, was denied by Finance

because the Agency did not demonstrate that it experienced a funding shortfall during ROPS 15-16A to warrant a city loan pursuant to HSC section 34173 (h) (1). As a result, this item is not eligible for RPTTF funding.

In addition, per Finance's letter dated November 5, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

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. 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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

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