

November 2, 2015

Mr. Jim Steele, Assistant City Manager
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of South San Francisco 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 18, 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. 12 – Oyster Point Ventures Disposition and Development Agreement in the amount of \$2,463,230 is partially allowed. The Agency requested \$2,463,230 in Redevelopment Property Tax Trust Fund (RPTTF); however, only \$2,233,061 is needed to fully fund the Agency's required financing amount of \$29,463,230. Therefore, the excess \$230,169 is not an enforceable obligation and not eligible for funding.
- Items 45, 46, 49, and 50 – Property Maintenance and Disposition costs totaling \$210,000 for the ROPS 15-16B period and a total outstanding amount of \$8,036,507 are not allowed. HSC section 34171 (d) (1) (F) states that agreements necessary for the administration or operation of the Agency, such as the cost of maintaining assets prior to disposition, are enforceable obligations. However, given that Finance approved the Agency's Long-Range Property Management Plan on October 1, 2015, and 29 out of the 32 properties will transfer to the City of South San Francisco (City) as either government use or future development; the Agency should not need these funds to maintain the properties. Therefore, these items are not eligible for funding from RPTTF.
- Claimed administrative costs exceed the allowance by \$13,205. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater. As a result, the Agency is eligible for \$292,130 in administrative expenses. The San Mateo County Auditor-Controller distributed \$145,000 for the July through December 2015 period, thus leaving a balance of \$147,130 available for the January through June 2016 period. Although \$160,335 is claimed for administrative cost, only

\$147,130 is available pursuant to the cap. Therefore, \$13,205 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 county auditor-controller (CAC). The amount of RPTTF approved in the table on the following page 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 Item No. 4 totaling \$71,755 in bond funds. 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, 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 \$2,408,743 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	3,526,314
Total RPTTF requested for administrative obligations	160,335
Total RPTTF requested for obligations on ROPS 15-16B	\$ 3,686,649
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Total RPTTF requested for non-administrative obligations	3,526,314
Denied Item	
Item No. 12	(230,169)
Item No. 45	(50,000)
Item No. 46	(50,000)
Item No. 49	(60,000)
Item No. 50	(50,000)
	(440,169)
Total RPTTF authorized for non-administrative obligations	\$ 3,086,145
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Total RPTTF requested for administrative obligations	160,335
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(13,205)
Total RPTTF authorized for administrative obligations	\$ 147,130
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Total RPTTF authorized for obligations	\$ 3,233,275
ROPS 14-15B prior period adjustment	(824,532)
Total RPTTF approved for distribution	\$ 2,408,743

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	6,651,509
Total RPTTF for 15-16B (January through June 2016)	3,086,145
Total RPTTF for fiscal year 2015-2016	9,737,654
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Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	292,130
Administrative allowance for ROPS 15-16A (July through December 2015)	(145,000)
Remaining administrative cost cap for ROPS 15-16B	147,130
ROPS 15-16B administrative obligations after Finance adjustments	(160,335)
Administrative costs in excess of the cap	\$ (13,205)

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 Wendy Griffe, Supervisor, or Erika Santiago, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Joe Martin, Senior Financial Analyst, City of South San Francisco
Mr. Juan Raigoza, Auditor-Controller, San Mateo County