



April 8, 2016

Ms. Rose Zimmerman, City Attorney  
City of Daly City  
333 90th Street  
Daly City, CA 94015

Dear Ms. Zimmerman:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Daly City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 1 – City Loan requested from Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$994,812 is partially approved for \$665,098.

HSC section 34191.4 (b) (3) (A) limits the ROPS 16-17 repayment to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the 2015-16 fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year.

According to the San Mateo County Auditor-Controller's report, the ROPS residual pass-through distributed to the taxing entities for the 2012-13 base year and the 2015-16 fiscal year was \$5,247,544 and \$6,577,739, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is \$665,098. Therefore, the Agency's excess request of \$329,714 (\$994,812 - \$665,098) is not allowed. The Agency may be eligible for additional funding on subsequent ROPS.

In addition, Finance notes the total outstanding balance for Item No. 1 of \$26,944,660 is overstated and should be recalculated. Finance approved loan principal balances totaling \$13,775,503 associated with Item No. 1, via Finance's review of Oversight Board Resolution Nos. 15-7 and 16-1. Pursuant to HSC section 34191.4 (b) (3), interest on the remaining principal amount of the loans that was previously unpaid after the original effective date of the loans shall be recalculated from the date of origination of the loans on a quarterly basis, at a simple interest rate of three percent.

- Item No. 3 – Administrative Costs requested by the Agency exceed the Administrative Cost Allowance (ACA) by \$237,500. HSC section 34171 (b) limits the Agency's fiscal year 2016-17 ACA to three percent of actual distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. Although the Agency requests \$250,000 for ROPS 16-17 administrative costs, only \$12,500 is available pursuant to the ACA. The excess administrative costs of \$237,500 (\$250,000 - \$12,500) are not allowed.
- Item No. 4 – HELP Loan funding is increased from zero to \$1,171,752. The Agency inadvertently did not request funding for Item No. 4 on ROPS 16-17. However, Item No. 4 is an enforceable obligation with a \$1,171,752 balloon payment due in the ROPS 16-17 period. Therefore, the Agency requested to increase funding for Item No. 4 in order to meet their obligation.

Based on confirmation that Item No. 4 is an enforceable obligation and that payment is due in ROPS 16-17, Finance is approving RPTTF in the amount of \$820,227 and the use of Reserve Balances in the amount of \$351,525, totaling \$1,171,752 for Item No. 4.

- Item Nos. 5, 7, 21, and 24 – Property Costs from Other Funds totaling \$133,300 are not allowed. The property costs associated with Item Nos. 5, 7, 21, and 24 pertain to properties that were listed on the Agency's Long-Range Property Management Plan (LRPMP) as properties to be transferred to the City of Daly City (City) for continued governmental use or future development.

The Agency's LRPMP was approved by Finance on December 14, 2015. Therefore, the properties approved to be transferred to the City should no longer be held by the Agency and costs associated with the properties should no longer be Agency obligations. Therefore, Item Nos. 5, 7, 21, and 24 from Other Funds totaling \$133,300 are not allowed.

- Item No. 17 – Property Maintenance Costs from Other Funds in the requested amount of \$40,000 is partially approved for \$15,000. The properties associated with Item No. 17 include properties that were approved for transfer to the City in the Agency's LRPMP and properties that were approved for sale. Per the Agency, the estimated costs for Item No. 17 associated with properties held for sale totals \$15,000. Therefore, Finance is partially approving Item No. 17 for \$15,000. The Agency's remaining request of \$25,000 (\$40,000 - \$15,000) is not approved.

Except for the items denied in whole or in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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 \$1,497,825 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

In addition, on the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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.

Ms. Rose Zimmerman  
April 8, 2016  
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Please direct inquiries to Wendy Griffe, Supervisor, or Jonathan Cox, Lead Analyst, at  
(916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Lawrence Chiu, Director of Finance & Administrative Services, City of Daly City  
Mr. Juan Raigoza, Auditor-Controller, San Mateo County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 497,406	\$ 497,406	\$ 994,812
Requested Administrative RPTTF	125,000	125,000	\$ 250,000
<b>Total Requested RPTTF on ROPS 16-17</b>	<b>\$ 622,406</b>	<b>\$ 622,406</b>	<b>\$ 1,244,812</b>
Adjustment to Agency Requested RPTTF	820,227	0	820,227
<b>Total RPTTF adjustments</b>	<b>820,227</b>	<b>0</b>	<b>\$ 820,227</b>
Total RPTTF requested	1,317,633	497,406	1,815,039
<u>Denied Item</u>			
Item No. 1	0	(329,714)	(329,714)
<b>Total RPTTF authorized</b>	<b>1,317,633</b>	<b>167,692</b>	<b>\$ 1,485,325</b>
Total Administrative RPTTF requested	125,000	125,000	250,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(112,500)	(125,000)	(237,500)
<b>Total Administrative RPTTF authorized</b>	<b>12,500</b>	<b>0</b>	<b>\$ 12,500</b>
<b>Total RPTTF approved for distribution</b>	<b>1,330,133</b>	<b>167,692</b>	<b>\$ 1,497,825</b>

<b>Administrative Cost Allowance Cap Calculation</b>	
Actual RPTTF distributed for fiscal year 2015-16	\$ 266,920
Less sponsoring entity loan and Administrative RPTTF	241,920
Actual RPTTF distributed for 2015-16 after adjustment	25,000
Administrative Cap for 2016-17 per HSC section 34171 (b)	12,500
ROPS 16-17 Administrative RPTTF after Finance adjustments	250,000
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (237,500)</b>