DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 12, 2016

Mr. Scott Hanin, City Manager
City of El Cerrito
10890 San Pablo Avenue
El Cerrito, CA 94530

Dear Mr. Hanin:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of El Cerrito Successor Agency (Agency) submitted an annual 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 27, 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. 24 – San Pablo Avenue Streetscapes in the amount of $431,599 is not allowed. Finance continues to deny this item. Based on the City of El Cerrito (City) resolutions provided by the Agency, the former redevelopment agency (RDA) was not party to the agreements. The agreements subject to the request were entered into by the City and various third parties. The Agency previously contended that the former RDA had a long standing financial commitment to the City to fund certain infrastructure costs incurred by the City and the amount requested is related to the former RDA failing to meet its obligation to the City. However, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable.

  The Agency currently contends this item represents Agency obligations related to state highway infrastructure improvements. However, no information was provided to support that an agreement was entered into by the RDA prior to June 28, 2011 for state highway infrastructure improvement as required under HSC section 34171 (d) (2). Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding of $431,599.

- Item No. 28 – Expenditure of Bond Proceeds in the amount of $400,243 is not allowed. The Agency received a Finding of Completion on December 22, 2015 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Prior to dissolution, the former RDA transferred $400,243 in 2004 bond proceeds to the El Cerrito Municipal Services Corporation (MSC).

However, the transfer of the 2004 bond proceeds to MSC was determined to be an unallowable transfer as determined by the California State Controller's Office (SCO) during the Asset Transfer Review. The SCO ordered the Agency to reverse the transfer of the 2004 bonds proceeds. It is our understanding MSC spent the bond proceeds consistent with the purposes for which the bonds were issued, and at this time, the Agency is seeking retroactive approval for the transfer of the 2004 bond proceeds.

Pursuant to HSC section 34177 (C) (3), the ROPS schedule shall be forward looking to the next six months or one year, as applicable. In this case, the transfer, or expenditure, of the 2004 bond proceeds is not an enforceable obligation. Therefore, the Agency's request for retroactive approval of $400,243 in 2004 bond proceeds transferred to MSC is not granted.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Except for the items denied in whole or in part, 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/

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.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,151,994 as summarized in the Approved RPTTF Distribution Table on Page 4 (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 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Melanie Mintz, Community Development Director, City of El Cerrito
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 1,759,768	$ 573,825	$ 2,333,593
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	**1,884,768**	**698,825**	**$ 2,583,593**
Total RPTTF requested	**1,759,768**	**573,825**	**2,333,593**
Denied Items			
Item No. 24	(431,599)	0	(431,599)
Total RPTTF authorized	**1,328,169**	**573,825**	**$ 1,901,994**
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**1,453,169**	**698,825**	**$ 2,151,994**