



April 1, 2016

Ms. Michelle Strawson O'Hara, Finance Supervisor
City of Emeryville
1333 Park Avenue
Emeryville, CA 94608

Dear Ms. Strawson O'Hara:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Emeryville 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 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. 1 – The claimed administrative costs exceed the allowance by \$250,000. The Agency requested Reserve Balance in the amount of \$125,000 for the ROPS 16-17A period and \$125,000 in Administrative Redevelopment Property Tax Trust Fund (RPTTF) for the ROPS 16-17B period. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (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. The Agency did not receive any RPTTF during the fiscal year 2015-06. As a result, the Agency's maximum ACA is \$0 for the fiscal year 2016-17. Although \$250,000 is claimed for administrative cost, \$0 is available pursuant to the cap. Therefore, \$250,000 of excess administrative cost is not allowed.
- Item No. 120 – SERAF Loan Repayment totaling \$8,368,300 for the ROPS 16-17A period is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Alameda County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are \$15,317,949 and \$32,001,481, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is \$8,341,766. The total requested of \$8,368,300 for ROPS 16-17A consisted of \$4,697,493 in Reserve Balance and \$3,670,807 in RPTTF funding. Therefore, the

portion of this item funded by RPTTF has been reduced to \$3,644,273, which is a reduction of \$26,534 in RPTTF for the ROPS 16-17A. Further, because the Agency is not eligible to fund its ACA with the \$125,000 in Reserve Balance as noted in the bullet above, the amount is available for use on Item No. 120. Therefore, an additional \$125,000 RPTTF funding for this item has been reclassified to Reserve Balance. Total amount approved for ROPS 16-17A is \$8,341,766, consisting of \$3,519,273 in RPTTF and \$4,822,493 in Reserve Balance funding.

- During the course of Finance's review of the ROPS 16-17 Cash Balances tab and per discussion with the Agency, it was determined that \$970,995 in Other Funds were expended to fund enforceable obligations during the ROPS 15-16A period. These obligations should have been funded from Reserve Balance per Finance's review of ROPS 15-16A. Therefore, pursuant to HSC section 34177 (a) (4), the Agency's Oversight Board is required to submit a Resolution to Finance approving the change of funding source from Reserve Balance to Other Funds in the amount of \$970,995 for the ROPS 15-16A period.

Except for the items denied in whole or in part or the items that have 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/

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 \$17,586,622 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:

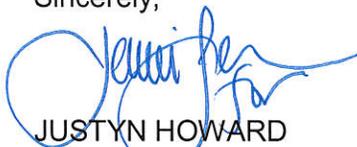
<http://www.dof.ca.gov/redevelopment/ROPS>

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 Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Michael Guina, City Attorney, City of Emeryville
Ms. Carol S. Orth, Tax Analysis, Division Chief, Alameda 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)	\$ 3,670,807	\$ 14,067,349	\$ 17,738,156
Requested Administrative RPTTF	0	125,000	125,000
Total RPTTF requested for obligations on ROPS 16-17	3,670,807	14,192,349	\$ 17,863,156
Total RPTTF requested	3,670,807	14,067,349	17,738,156
<u>Denied Item</u>			
Item No. 1	(26,534)	0	(26,534)
<u>Reclassified Item</u>			
Item No. 120	(125,000)	0	(125,000)
Total RPTTF authorized	3,519,273	14,067,349	\$ 17,586,622
Total Administrative RPTTF requested	0	125,000	125,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(125,000)	(125,000)
Total Administrative RPTTF authorized	0	0	\$ 0
Total RPTTF approved for distribution	3,519,273	14,067,349	\$ 17,586,622

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 0
Less sponsoring entity loan and Administrative RPTTF	0
Actual RPTTF distributed for 2015-16 after adjustment	0
Administrative Cap for 2016-17 per HSC section 34171 (b)	0
ROPS 16-17 Administrative RPTTF after Finance adjustments	125,000
Administrative Cost Allowance in excess of the cap	\$ (125,000)