DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

April 6, 2016

Mr. Kelly Sessions, Finance Director
City of San Pablo
13831 San Pablo Avenue
San Pablo, CA 94806

Dear Mr. Sessions:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Pablo 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. 5 – Joint Powers Financing Authority 2004 Tax Allocation Bond, debt service payment in the amount of $2,736,789. The Agency requested $2,736,789 from Redevelopment Property Tax Trust Funds (RPTTF) for debt service for the period June 30, 2016 to January 1, 2017 (ROPS 16-17A). However, this amount was previously funded with RPTTF and is now available to the Agency as Reserve Balances. Therefore, Finance is reclassifying $2,736,789 to Reserve Balances to allow the Agency to expend the funding already approved during ROPS 15-16B.

- Item No. 38 – 2014 Tax Allocation Refunding Bonds, Series A, debt service payment in the amount of $1,108,750. The Agency requested $1,108,750 from RPTTF for debt service for the ROPS 16-17A period. However, this amount was previously funded with RPTTF and is now available to the Agency as Reserve Balances. Therefore, Finance is reclassifying $1,108,750 to Reserve Balances to allow the Agency to expend the funding already approved during ROPS 15-16B.

- Item No. 39 – 2014 Tax Allocation Refunding Bonds, Series B, debt service payment in the amount of $139,625. The Agency requested $139,625 from RPTTF for debt service for the ROPS 16-17A period. However, this amount has already been funded with RPTTF and is now available to the Agency as Reserve Balances. Therefore, Finance is reclassifying $139,625 to Reserve Balances to allow the Agency to expend the funding already approved during ROPS 15-16B.

- The Agency's claimed administrative costs exceed the allowance by $30,000. 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. As a result, the Agency's maximum ACA is $250,000 for the fiscal year 2016-17. Although $250,000 is claimed for administrative cost, a portion of Item No. 36 - Property Maintenance Costs totaling $30,000 are considered administrative cost and should be counted toward the cap. The Agency requested $100,000 RPTTF for Property Maintenance Costs. The costs directly associated with maintaining properties are allowed outside of the ACA. However, of the requested $100,000, $30,000 represents staff time and is considered an administrative cost. Therefore, $30,000 of excess ACA is not allowed.

Except for the items that have been 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 $9,373,109 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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Charles Ching, Assistant to the City Manager, City of San Pablo
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)	$ 6,748,755	$ 6,389,518	$ 13,138,273
Requested Administrative RPTTF	125,000	125,000	$ 250,000
Total Requested RPTTF on ROPS 16-17	$ 6,873,755	$ 6,514,518	**$ 13,388,273**
Total RPTTF Requested	6,748,755	6,389,518	**13,138,273**
Reclassified Items			
Item No. 5	(2,736,789)	0	(2,736,789)
Item No. 36	(30,000)	0	(30,000)
Item No. 38	(1,108,750)	0	(1,108,750)
Item No. 39	(139,625)	0	(139,625)
Total RPTTF Authorized	2,733,591	6,389,518	**$ 9,123,109**
Total Administrative RPTTF Requested	125,000	125,000	250,000
Reclassified Item			
Item No. 21	30,000	0	30,000
Total Administrative RPTTF after Finance adjustments	155,000	125,000	280,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(30,000)	0	(30,000)
Total Administrative RPTTF Authorized	125,000	125,000	**$ 250,000**
Total RPTTF Approved for distribution	2,858,591	6,514,518	**$ 9,373,109**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 5,364,095
Less sponsoring entity loan and Administrative RPTTF	257,866
Actual RPTTF distributed for 2015-16 after adjustment	5,106,229
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	280,000
Administrative Cost Allowance in excess of the cap	**$ (30,000)**