

April 7, 2016

Mr. Joe Martin, Senior Financial Analyst  
City of South San Francisco  
P.O. Box 711  
South San Francisco, CA 94083

Dear Mr. Martin:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the City of South San Francisco 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 29, 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. 7 – Principal Debt Service, Housing Revenue Bonds in the total amount of \$815,000 is partially approved in the amount of \$25,000 of Reserve Balances and \$553,375 of Redevelopment Property Tax Trust Fund (RPTTF), totaling \$578,375. The Agency requested RPTTF and Reserve Balance funding to make early payments in order to pay off the debt service in September 2016. Accelerating payment beyond the required payment schedule is not allowed under dissolution law. Therefore, of the requested amount of \$815,000, \$25,000 of Reserve Balance funding and \$553,375 of RPTTF (totaling \$578,375) is approved. As a result, the remaining amount of \$236,625 (\$815,000 - \$578,375) is not eligible for RPTTF funding.
- Item Nos. 45, 46, 49, and 50 – Property Maintenance and Disposition costs totaling \$900,000 for the ROPS 16-17 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, Finance approved the Agency's Long-Range Property Management Plan on October 1, 2015. At that time, 29 out of the 32 properties were approved to transfer from the Agency to the City of South San Francisco (City) as either government use or future development.

The disposition for the remaining three properties is sale of property. The properties are a vacant lot, a parking lot, and a commercial development. HSC section 34177.3 (b) states agencies can create enforceable obligations to conduct the work of winding down, but does not include planning, development, site remediation, or site development or improvement. The costs requested are not tied to an enforceable obligation and appear

excessive. To the extent the Agency can provide support for the costs necessary to maintain the three properties in an as-is condition prior to sale or reasonable estimates for the costs necessary to dispose of these three properties, RPTTF funding for property maintenance and disposition may be approved in a future ROPS.

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/](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 \$1,679,750 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 Wendy Griffe, Supervisor, or Erika Santiago, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Alex Greenwood, Economic and Community Development Director, City of South  
San Francisco  
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)	\$ 1,619,375	\$ 947,000	\$ 2,566,375
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>1,744,375</b>	<b>1,072,000</b>	<b>\$ 2,816,375</b>
Total RPTTF requested	1,619,375	947,000	2,566,375
<u>Denied Items</u>			
Item No. 7	(236,625)	0	(236,625)
Item No. 45	(100,000)	(100,000)	(200,000)
Item No. 46	(50,000)	(50,000)	(100,000)
Item No. 49	(150,000)	(150,000)	(300,000)
Item No. 50	(150,000)	(150,000)	(300,000)
	<u>(686,625)</u>	<u>(450,000)</u>	<u>(1,136,625)</u>
<b>Total RPTTF authorized</b>	<b>932,750</b>	<b>497,000</b>	<b>\$ 1,429,750</b>
<b>Total Administrative RPTTF authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>1,057,750</b>	<b>622,000</b>	<b>\$ 1,679,750</b>