



May 17, 2016

Mr. Kerry Breen, Assistant Director of Administrative Services
City of Brentwood
150 City Park Way
Brentwood, CA 94513

Dear Mr. Breen:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Brentwood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 25, 2016. Finance issued a ROPS determination letter on April 12, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 29, 2016.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 37 through 41 – Various City Infrastructure Loans in the total outstanding amount of \$15,476,371. Finance continues to deny these items. It is our understanding that the former redevelopment agency (RDA) and the City of Brentwood (City) entered into a Cooperation Agreement dated September 22, 1981. The Cooperation Agreement states that the former RDA agrees to reimburse the City for services rendered and for costs incurred on the former RDA's behalf for various redevelopment plan implementation costs.

On January 7, 2011, the former RDA and the City entered into an Amended and Restated Agreement (Restated Agreement), which amended the original September 22, 1981 Cooperation Agreement. The Restated Agreement required the former RDA to reimburse the City for costs incurred for carrying out current and future planned projects, such as, (i) City Park Project, (ii) Community Center Project, (iii) Downtown Infrastructure Project, (iv) Downtown Streetscape Project, and (v) Downtown Parking Solutions. Subsequent to the execution of the Restated Agreement, the former RDA and the City entered into five separate Public Improvement Agreements (PIAs), which obligated the former RDA to advance funds to the City for the costs incurred for these projects.

Furthermore, on January 20, 2016, the Agency submitted Oversight Board Resolution No. 2016-01 for Finance's review, finding that the subject loan agreements were made for legitimate redevelopment purposes, and approving reinstatement of the loan agreements as enforceable obligations. Our determination letter dated March 2, 2016, stated that these loans do not meet the definition of an enforceable obligation pursuant to HSC section 34191.4.

During the Meet and Confer process, although no new information was provided, the Agency continues to contend that the loans are enforceable obligations as the City had third party contracts pursuant to the PIAs between the former RDA and the City. Pursuant to HSC section 34191.4 (b) (2) (C), agreements between the former RDA and sponsoring entity are enforceable if the sponsoring entity contracted with a third party on behalf of the former RDA for the development of infrastructure in connection with a redevelopment project as identified in a redevelopment project plan, and the former RDA was obligated to reimburse the sponsoring entity for payments made to the third party. However, the PIAs and the Restated Agreement do not commit the City to enter into contracts on behalf of the former RDA. Additionally, the contracts executed by the City for these projects were prior to the PIAs' execution dates with the former RDA. As such, the documentation provided by the Agency does not demonstrate that the City contracted with third parties on behalf of the former RDA since the City had entered into agreements with third parties prior to entering into agreements with the former RDA.

Therefore, although the Agency requested \$1,250,000 for Item No. 39, it is not eligible for RPTTF funding.

- Item No. 42 – Use of 2009 Bond Proceeds for the Community Center in the amount of \$4,153,422. Finance continues to deny this item. Finance initially denied this item because the Agency's request for retroactive approval of \$4,153,422 in 2009 bond proceeds transferred to the City prior to dissolution does not meet the definition of an enforceable obligation. Finance directed the Agency to recover bond proceeds transferred to the City during the Other Funds and Accounts Due Diligence Review. Additionally, the California State Controller's Office (SCO) determined this transfer to be an unallowable during the Asset Transfer Review and ordered the Agency to reverse the transfer. Per additional information provided during the Meet and Confer, it is our understanding that the bond proceeds have not been recovered and the Agency still does not have possession of the bond proceeds. If and when the bond proceeds are transferred back to the Agency, the Agency may request for the expenditure of such on the ROPS. Therefore, the Agency's request for retroactive approval of \$4,153,422 in 2009 bond proceeds transferred to the City is not an enforceable obligation and is denied.

In addition, per Finance's letter dated April 12, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 4 – Bond Debt Service Processing Fees in the amount of \$69,840 are not allowed. It is our understanding this line item relates to City of Brentwood (City) staff time in relation to the administration of bond debt service processing. However, routine debt service processing is considered a general administrative task, covered by the Agency's Administrative Cost Allowance pursuant to HSC section 34171 (b). Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$2,910.

- Item No. 27 – Bond Trustee Fees in the amount of \$4,700 have been adjusted. The Agency confirmed that there are currently no trustee fees requiring payment. Therefore, with the Agency's concurrence, the requested RPTTF funding of \$200 has been adjusted to zero.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 \$2,709,952 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 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>

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.

Mr. Kerry Breen
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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Nicole Prisakar, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Sonia Tonkel, Accountant II, City of Brentwood
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)	\$ 2,075,250	\$ 1,637,812	\$ 3,713,062
Requested Administrative RPTTF	125,000	125,000	250,000
Total Requested RPTTF on ROPS 16-17	\$ 2,200,250	\$ 1,762,812	\$ 3,963,062
Total RPTTF Requested	2,075,250	1,637,812	3,713,062
<u>Denied Items</u>			
Item No. 4	(1,455)	(1,455)	(2,910)
Item No. 27	(100)	(100)	(200)
Item No. 39	(400,000)	(850,000)	(1,250,000)
Total RPTTF authorized	1,673,695	786,257	\$ 2,459,952
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,798,695	911,257	\$ 2,709,952