DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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May 17, 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

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 El Cerrito 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 27, 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 28, 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 No. 24 – San Pablo Avenue Streetscapes in the amount of $431,599. Finance continues to deny this item. Finance previously denied this item because the former Redevelopment Agency (RDA)'s arrangement with the City is not an enforceable obligation pursuant to HSC section 34171 (d). According to the Agency, the former RDA had a long standing financial commitment to the City to fund certain infrastructure costs incurred by the City.

  During meet and confer, the Agency contended this item represents Agency's obligation related to state highway infrastructure improvements, wherein the RDA committed funds to the project pursuant to budget approvals and resolutions. However, the Agency did not provide the related agreement that 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 at this time. To the extent the Agency can provide the agreement, it may place this item on a future ROPS for Finance's review and approval.

- Item No. 28 – Expenditure of Bond Proceeds in the amount of $400,243 is not allowed. Finance continues to deny this item. Finance previously denied this item because pursuant to HSC section 34177 (C) (3), the ROPS schedule shall be forward looking to the next six months or one year, as applicable. 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. During the Meet and Confer, the Agency maintained that the bond proceeds had been expended consistent with the bond covenants and should therefore be allowed. The Agency states that Finance's denial would result in the Agency being required to enter into a new enforceable obligation and fund an entirely new project.

  However, the California State Controller's Office (SCO) determined the transfer to be an unallowable transfer during its Asset Transfer Review and ordered the Agency to reverse the transfer. The SCO ordered the Agency to reverse the transfer of the 2004 bonds proceeds. If and when the bond proceeds are transferred back to the Agency, the Agency may request the expenditure of these funds as excess bonds on a future ROPS consistent with HSC section 34191.4 (c) (1) (A). As such, the Agency's request for retroactive approval of $400,243 in 2004 bond proceeds transferred to MSC is not an enforceable obligation and is therefore 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:

- 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.

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 (I) (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

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 Evelyn Suess, Dispute Resolution Supervisor, or Nicole Prisakar, Analyst, (916) 445-3274.

Sincerely,

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<br>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** |