



May 17, 2016

Mr. David Biggs, City Manager
City of Hercules
111 Civic Drive
Hercules, CA 94547

Dear Mr. Biggs:

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 14, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Hercules 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 February 01, 2016. Finance issued a ROPS determination letter on April 14, 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 Nos. 5, 12, 13, 18, and 25 through 28 – Various obligations totaling \$11,807,992 have been adjusted. Finance continues to make this adjustment. It is our understanding, the Agency is requesting funding for these items in both the July 1 through December 31, 2016 (ROPS A) and the January 1 through June 30, 2017 (ROPS B) periods. Therefore, with the Agency's prior consent, Finance adjusted the requested amounts to zero for the ROPS B period in order to correct the duplication. During Meet and Confer process, the Agency contested that the total requested amount for these items for the ROPS 16-17 period is correct; however, no additional documentation was provided to support the total obligation. In addition, it appears that funding for these items is requested on every ROPS due to reoccurring Redevelopment Property Tax Trust Fund (RPTTF) distribution shortfall. As this is an annual ROPS, it is not necessary to request funding for these line items in both ROPS periods; the Agency is authorized to receive up to the maximum approved RPTTF amount through the combined ROPS A and B period distributions. Therefore, these items are not eligible for RPTTF funding in the ROPS B period.
- Item No. 6 – AMBAC Settlement in the amount of \$5,719,354 has been reclassified from RPTTF to Other Funds. Our initial determination authorized only \$2,859,677 in Other Funds and denied \$2,859,677 in RPTTF for the ROPS B period as it appeared to be a

duplicate request. The Agency provided clarification during the meet and confer and as result, Finance no longer denies the \$2,859,677 for the ROPS B period. However, Finance continues to reclassify this item for the total amount of \$5,719,354 to Other Funds. It is our understanding this obligation is pursuant to a settlement agreement, that should be satisfied in its entirety through the sale of two of the Agency's properties identified as Assessor's Parcel Numbers 404-020-076-0 and 404-040-062-6. Therefore, although enforceable, this item is not eligible for RPTTF funding on the ROPS. To the extent the Agency believes RPTTF funds should be used to pay this item, the Agency must request approval of the amount on a future ROPS and provide the appropriate documentation to support the request.

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.

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 \$20,533,244 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, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Getachew Demeku-Ousman, Interim Finance Director, City of Hercules
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)	\$ 20,410,488	\$ 17,384,746	\$ 37,795,234
Requested Administrative RPTTF	132,678	132,678	265,356
Total RPTTF requested for obligations on ROPS 16-17	20,543,166	17,517,424	\$ 38,060,590
Total RPTTF requested	20,410,488	17,384,746	37,795,234
<u>Denied Items</u>			
Item No. 5	0	(847,851)	(847,851)
Item No. 12	0	(710,604)	(710,604)
Item No. 13	0	(13,176)	(13,176)
Item No. 18	0	(2,076,643)	(2,076,643)
Item No. 25	0	(3,777,102)	(3,777,102)
Item No. 26	0	(3,938,200)	(3,938,200)
Item No. 27	0	(260,144)	(260,144)
Item No. 28	0	(184,272)	(184,272)
	0	(11,807,992)	(11,807,992)
<u>Reclassified Item</u>			
Item No. 6	(2,859,677)	(2,859,677)	(5,719,354)
Total RPTTF authorized	17,550,811	2,717,077	\$ 20,267,888
Total Administrative RPTTF authorized	132,678	132,678	\$ 265,356
Total RPTTF approved for distribution	17,683,489	2,849,755	\$ 20,533,244