DEPARTMENT OF FINANCE

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REVISED

May 24, 2016

Ms. Terri Simon, Redevelopment Specialist
City of Richmond
450 Civic Center Plaza, 2nd floor
Richmond, CA 94804

Dear Ms. Simon:

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 Richmond 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 22, 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 No. 120 – Miraflores Environmental Protection Agency (EPA) Revolving Loan Fund loan repayment in the amount of $654,000. Finance no longer denies this item. Previously, the Agency submitted Oversight Board Resolution No. 3-16 (Resolution) approving a Closeout Agreement between the Agency and the U.S. EPA dated June 13, 2013, that details the continued use of accrued program income. Finance objected to the Resolution in our determination letter on March 8, 2016, and Finance continues to deny the Closeout Agreement as an enforceable obligation.

  During the Meet and Confer, the Agency contended that this item is an enforceable obligation because they are required to retire a U.S. Environmental Protection Agency (EPA) Revolving Loan Fund. Documents provided by Agency included an Assistance Agreement which identifies the award of a loan in the amount of $1,000,000 from the U.S. EPA to the former Redevelopment Agency (RDA) to support the development and implementation of the Revolving Loan Fund Program. Review of the Assistance Agreement clearly identifies a loan of funds from the U.S. EPA to the former RDA, which is subject for repayment. The Agency also provided a breakdown that shows an amount of $600,000 was utilized by the former RDA for cleanup projects at the Miraflores site. Therefore, Finance approves this item as an enforceable obligation pursuant to the Assistance Agreement and not the Closeout Agreement.

Furthermore, as recognized in the determination letter on March 8, 2016, which attempted to approve the Closeout Agreement, the Agency does not have the authority to loan out any funds, and because the Closeout Agreement is not effective, Finance recommends the Agency negotiate a Closeout Agreement with the EPA that is within the confines of the Agency's authority under Dissolution Law.

In addition, per Finance's letter dated April 14, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 5 and 6 – 2004A Tax Allocation Revenue Bonds and Section 108 Housing and Urban Development Loans have been adjusted. It is our understanding the Agency requested Redevelopment Property Tax Trust Funds (RPTTF) for Item No. 5 in error for the January 1, 2017 through June 30, 2017 period (ROPS B period). The Agency transposed the $43,796 requested for Item No. 5 with Item No. 6; therefore, as requested by the Agency, Finance has reduced the funding for Item No. 5 to zero and has increased the funding for Item No. 6 from zero to $43,796 for the ROPS B period.

- Item No. 41 – Contra Costa County Tax Assessments in the amount of $80,000 have been adjusted. The Agency requested funding to pay tax assessments on property it no longer owns. According to documentation provided to Finance, of the $80,000 requested to pay tax assessments, $64,494 represents taxes due on properties transferred to the City of Richmond (City) pursuant to the Agency's Long-Range Property Management Plan (LRPMP), approved by Finance on December 31, 2015. As such, a portion of tax assessments are now the responsibility of the City as the current owner. Therefore, of the $80,000 requested, $15,506 is approved for Agency-owned properties, and the difference, $64,494 ($80,000 - $15,506) is not eligible for RPTTF.

- Item No. 69 – Miraflores Legal Services in the amount of $25,000 in Bond Proceeds requested for ROPS 16-17. The Agency received a Finding of Completion on December 9, 2014, and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. In this instance, Finance approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation Type/Category from 'Legal' to 'Bond-Funded Project-Pre 2011'. Finance approval, however, should not be construed as approval of the agreement, including its terms and conditions, as an ongoing enforceable obligation.

- Item No. 123 – Miraflores Housing/Baxter Creek Project in the amount of $3,835,000 has been adjusted. It is our understanding the Agency has included $408,555 for a 15 percent construction contingency and $40,855 for a 10 percent construction management contingency with regards to the preservation and restoration of the Miraflores/Baxter Creek Project. However, the allocation of funds for unknown contingencies is not an allowable use of funds. Therefore, Finance has adjusted the amount of RPTTF requested by $449,410 ($408,555 + $40,855), from $1,200,000 to $750,590 ($1,200,000 - $449,410).

  Furthermore, the Agency requested the authority to spend $2,635,000 in Other Funds. These Other Funds are derived from grants awarded to the City, and not the Agency. Finance reminds the Agency and City that the City may spend its grant funds on the project without review and approval from Finance.

- Item No. 124 – Property Disposition Costs in the amount of $100,000 are not allowed. The Agency provided an estimate of property disposition costs; however, the document indicates $85,000 of the requested amount relates to properties transferred to the City for future development pursuant to the approved LRPMP. Furthermore, the Agency was unable to provide sufficient documentation to support the remaining $15,000 requested for the remaining properties for sale. Therefore, this item is not an enforceable obligation and the requested amount of $100,000 is not eligible for RPTTF funding for the ROPS 16-17 period. To the extent the Agency can provide documentation, such as invoices or vendor contracts for the properties remaining to be sold, to support the requested funding, the Agency may be able to obtain RPTTF funding in the future.

- The Agency's claimed administrative costs exceed the allowance by $38,440. 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 $537,422 for the fiscal year 2016-17. Although $575,862 is claimed for administrative cost, only $537,422 is available pursuant to the cap. Therefore, $38,440 of excess ACA is not allowed. Finance also notes the Agency requested $500,000 in Other Funds for administrative costs. It is our understanding these Other Funds are City grant funds. As the Agency has exceeded its ACA, the Agency shall not be eligible for reimbursement of these funds pursuant to HSC section 34173 (h).

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 $17,945,825 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Satveer Ark, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Chadrick Smalley, Manager, City of Richmond
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)	$ 9,464,082	$ 8,558,225	$ 18,022,307
Requested Administrative RPTTF	287,931	287,931	575,862
Total Requested RPTTF on ROPS 16-17	$ 9,752,013	$ 8,846,156	**$ 18,598,169**
Adjustment to Agency Requested RPTTF			
Item No. 5	0	(43,796)	(43,796)
Item No. 6	0	43,796	$ 43,796
Total RPTTF adjustments	0	0	**$ 0**
Total RPTTF Requested	9,464,082	8,558,225	**18,022,307**
Denied Items			
Item No. 41	(24,494)	(40,000)	(64,494)
Item No. 123	(449,410)	0	(449,410)
Item No. 124	(50,000)	(50,000)	(100,000)
	(523,904)	(90,000)	(613,904)
Total RPTTF authorized	8,940,178	8,468,225	**$ 17,408,403**
Total Administrative RPTTF requested	287,931	287,931	**575,862**
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(38,440)	(38,440)
Total Administrative RPTTF authorized	287,931	249,491	**$ 537,422**
Total RPTTF approved for distribution	9,228,109	8,717,716	**$ 17,945,825**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 18,491,802
Less sponsoring entity loan and Administrative RPTTF	577,726
Actual RPTTF distributed for 2015-16 after adjustment	17,914,076
Administrative Cap for 2016-17 per HSC section 34171 (b)	537,422
ROPS 16-17 Administrative RPTTF after Finance adjustments	575,862
Administrative Cost Allowance in excess of the cap	**$ (38,440)**