DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

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April 11, 2019

Mr. Kelly Sessions, Finance Director
City of San Pablo
13831 San Pablo Avenue
San Pablo, CA 94806

Dear Mr. Sessions:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Pablo Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 46 – Property Disposition costs, total outstanding obligation amount of $30,000, is not allowed. The Agency previously provided a list of activities performed by Murphy & Associates, such as drafting memos and phone calls with the Agency, to support the requested amount. In addition, Finance notes the City of San Pablo is the ultimate payee. During this ROPS period, the Agency was unable to provide any new documentation to support the amounts requested. Therefore, the total requested amount of $30,000 from Redevelopment Property Tax Trust Fund (RPTTF) is not allowed. To the extent the Agency can provide documentation, such as current invoices or a new contract for appraisals, recording fees, or marketing services, to support the requested funding, the Agency may be eligible for RPTTF on a future ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

- Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's (CAC) review of the prior period adjustment form submitted by the Agency.

Based on our review of the prior period adjustment, Finance noted the Agency misspent a portion of excess funds. Specifically, the Agency spent more than what was authorized for the ACA for the July 1, 2016 through June 30, 2017 (ROPS 16-17). Finance authorized $2,663,591 pursuant to the cap; yet the Agency reported a total of $4,000,000 for the Supplemental Education Revenue Augmentation Fund (SERAF) loan repayment for the ROPS 16-17 period. This is $1,336,409 in excess of the approved SERAF loan repayment and maximum allowable repayment amount per HSC section 34191.4 (b) (3) (A). Further, pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be either remitted to the CAC or retained and expended once the Agency receives approval for their use on future ROPS.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items that are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $5,537,351 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

http://dof.ca.gov/Programs/Redevelopment/ROPS/

This determination is effective for the ROPS 19-20 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 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 redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,

JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Charles Ching, Assistant to the City Manager, City of San Pablo
Mr. Bob Campbell, Auditor-Controller, Contra Costa County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	$ 126,618	$ 5,208,375	$ 5,334,993
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	**251,618**	**5,333,375**	**5,584,993**
RPTTF Requested	126,618	5,208,375	5,334,993
Adjustment			
Item No. 46	(15,000)	(15,000)	(30,000)
RPTTF Authorized	**111,618**	**5,193,375**	**5,304,993**
Administrative RPTTF Authorized	**125,000**	**125,000**	**250,000**
Total RPTTF Authorized for Obligations	**236,618**	**5,318,375**	**5,554,993**
Prior Period Adjustment	(17,642)	0	(17,642)
Total RPTTF Approved for Distribution	**$ 218,976**	**$ 5,318,375**	**$ 5,537,351**