



May 25, 2012

Edmund Suen, Finance Director
City of East Palo Alto
2415 University Avenue
East Palo Alto, CA 94303

Dear Mr. Suen:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of East Palo Alto Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 27, 2012 for the period January to June 2012 and on May 10, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which included obtaining clarification for various items. The review results summarized below supersede preceding letters issued from this office related to your ROPS.

Finance is approving the items listed in both ROPS except those shown below. HSC section 34171 (d) lists enforceable obligations characteristics. Based on our application of the law, the following items qualify as Enforceable Obligations (EO):

January to June 2012 ROPS

- Page 1, item 1 through 9, totaling \$135,131 represents developers' money on deposit with the former RDA. Unused deposited funds should be returned to developers. This is not an obligation of the SA. Therefore, these items are not EOs.
- Page 1, item 12 and 14 totaling \$1,263,786 for repayment agreements between the former RDA and the City. HSC Section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations.
- Page 1, item 13a totaling \$475,200 for local match of a federal grant. There is no signed contract to support this amount. HSC Section 34163 (b) prohibits the commitment to commence if valid contracts have not been entered into prior to June 28, 2011.
- Page 1, item 18 totaling \$100,000 represents the estimated cost for the improvement of a property owned by the former RDA. HSC Section 34163 (b) prohibits a redevelopment agency from incurring any obligations or making commitments after June 27, 2011.
- Page 1, item 20 through 23 totaling \$800,000 for federal grants received. There are no contracts with a third party; therefore, these items are not EOs.
- Page 1, item 36 in the amount of \$9,929 for a loan signed after June 27, 2011. HSC Section 34163 (b) prohibits an SA from making commitments after June 27, 2011.

- Administrative costs totaling \$325,900 are not allowed. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$31,688. Therefore, \$325,900 of the claimed \$575,900 is not an EO. The following items are administrative expenses: page 1, item 10, 11, 29, 30, 32 through 35 and page 2, item 20.

July to December 2012 ROPS

- Page 1, item 22 in the amount of \$950,400 represents the local match of the federal grant. There are no signed contracts before June 27, 2011 provided by the successor agency. HSC Section 34163 (b) prohibits the commitment to commence if valid contracts have not been entered into prior to June 27, 2011.
- Page 1, items 23 in the amount of \$3,801,200 represents the federal grant money. Therefore, it is not an EO.
- Administrative expenses totaling \$126,183 are not allowed. HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$70,037. Therefore, \$126,183 of the claimed \$376,183 is not an EO. The following items are administrative expenses: page 1, items 31 and 32.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedules submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. 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 in the RPTTF.

Please direct inquiries to Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Bob Adler, Auditor-Controller, San Mateo County