



April 27, 2012

Kelly McAdoo-Morariu, Assistant City Manager
City of Hayward
777 B Street
Hayward, CA 94541

Dear Ms. McAdoo-Morariu:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Hayward (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, Item 3 for a Repayment Agreement with City of Hayward for \$7.8 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the City that created the former redevelopment agency are not enforceable obligations.
- Page 1, Item 5 for Low-Mod Housing set aside costs of \$944,298. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation.
- Administrative cost allowance overstated by \$283,926. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$397,329. Therefore, \$283,926 of the claimed \$681,256 is not an EO. Administrative expenses include items 9, 13, 14, 18, 19, 25-31, 44 and 45.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott or Jenny DeAngelis at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Carol S. Orth, Tax Analysis Division Chief, Alameda County Auditor Controller