

May 25, 2012

Ms. Nickie Mastay, Director of Finance  
City of Hercules  
111 Civic Drive  
Hercules, CA 94547

Dear Ms. Mastay:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) Section 34177 (l) (2) (C), the City of Hercules Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 16, 2012 for the period January to June 2012 and on May 4, 2012 for the period July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January to June 2012 ROPS:

In Finance's letter dated April 27, 2012, we questioned the following items:

- Item 14, Page 1 – City loan for construction costs for Sycamore North totaling \$2.3 million.
- Administrative cost claimed exceeds allowance by \$659,620.

After further review of additional documents provided by Agency, we are no longer questioning line item 6, Page 1 – AMBAC Settlement totaling \$3.5 million.

June to December 2012 ROPS:

In Finance's letter dated May 17, 2012, we questioned the following item:

- Item 14, Page 1 – City loan for construction costs for Sycamore North in the amount of \$2.2 million.

After further review of additional information provided by Agency, we are longer questioning line item 5, Page 1 – Catellus/Hercules LLC settlement agreement in the amount of \$53.3 million.

Except for items disallowed in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS for both periods. 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](http://www.dof.ca.gov/assembly_bills_26-27/view.php) for the amount of RPTTF that was approved by Finance based on the schedule 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 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 Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Mr. Larry Walker, Auditor-Controller, San Bernardino County Auditor-Controller  
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor-Controller  
Ms. Linda Santillano, Supervising Accountant, San Bernardino County Auditor-Controller  
Ms. Franz Zyss, Accountant III, San Bernardino County Auditor-Controller