



April 27, 2012

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

Dear Ms. Mastay:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Hercules (City) Successor 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. 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:

- Item 6, Page 1 – AMBAC Settlement totaling \$3.5 million. The settlement documents show an obligation on behalf of the City and not the redevelopment agency (RDA). Therefore, this is not an EO.
- Item 14, Page 1 – City loan for construction costs for Sycamore North totaling \$2.3 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative cost claimed exceeds allowance by \$659,620 (see Attachment A for calculation). HSC section 34171 (b) limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific 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.

Ms. Mastay
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Please direct any inquiries to Evelyn Suess, Supervisor, or Mindy Patterson, Lead Analyst, at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

Attachment

cc: Mr. Steve Duran, City Manager, City of Hercules
Mr. Bob Campbell, Auditor-Controller, Contra Costa County Auditor Controller
Mr. Jay Wilverding, Chief Accountant, Contra Costa County Auditor Controller

Attachment A

Administrative Cost Calculation For the Period January - December 2012				
Page	Line item	Project Name/Debt Obligation	Payment Source	Amount
1	1-21	All RPTTF	RPTTF	\$5,080,035
2	2	County admin fees	RPTTF	102,686
			Total RPTTF Claimed:	\$5,182,721
		Admin Allowance (Greater of 5% or \$250,000):		\$259,136

Line Items Considered Administrative Costs				
Page	Line item	Description	Payment Source	Amount
1	12	Lease of commercial space	RPTTF	\$355,302
1	13	Lease of commercial space	RPTTF	51,507
1	17	Bank & Trustee fees	RPTTF	13,500
2	1	Admin Costs	RPTTF	498,447
			Total:	\$918,756
			Less Admin Allowance:	259,136
		Total Disallowed Administrative Cost:		\$659,620