



December 18, 2012

Ms. Eileen Dalton, Deputy Director
Alameda County
224 W. Winton Ave, #110
Hayward, CA 94544

Dear Ms. Dalton:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 18, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Alameda Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 18, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 21, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the items being disputed.

- Administrative costs claimed for Redevelopment Property Tax Trust Fund (RPTTF) exceed the allowance by \$193,831. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Additionally, items 32 and 47 were reclassified as administrative costs.

Amount administrative costs for fiscal year 2012-13	\$250,000
Administrative costs claimed for July through December 2012	0
Administrative costs claimed for January through June 2013	443,831
Overage	\$193,831

The Agency requests to use two funding sources to fund all administrative costs requested in the ROPS. Specifically, the Agency request the use RPTTF in the amount of \$250,000 for the allowed administrative cost for the fiscal year and reserve balance in the amount of \$193,831 for the disallowed administrative costs (as noted in the table above). However, HSC section 34177 (k) states the Agency is to provide administrative cost estimates from its approved administrative budget that are to be paid from property tax revenues deposited in the RPTTF. Furthermore, AB 1484 does not allow the use of reserve balances for administrative costs; HSC section 34177 (d) requires the Agency to remit unencumbered balances of redevelopment agency funds to the county auditor-

controller. Therefore, Finance maintains its position and continues to deny \$193,831 in administrative cost that exceeds the allowance for the fiscal year 2012-13.

In addition, per Finance's ROPS letter dated October 18, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 13 – 3295 Castro Valley Blvd. in the amount of \$990,000. Although total RPTTF requested is \$990,000, only \$29,115 for the interest is due during the ROPS III period. Therefore, the excess \$960,885 is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 13a – Engineering Contract in the amount of \$175,000. The full contract amount of \$24,950 for the fiscal year 2012-13 was requested during the July through December 2012 ROPS period. Therefore, the \$17,500 requested for the ROPS III period is not supported and not eligible for RPTTF funding.
- HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The following items are not eligible for RPTTF funding:
 - Item Nos. 18, 18a, 18b, and 18c in the amount of \$9.4 million. Because the design contract was executed after June 27, 2011 for these items, they are not enforceable obligations.
 - Item No. 19 in the amount of \$212,863. No contract has been executed to establish item as an enforceable obligation.
- Item No. 22 – Graffiti Protective Coating in the amount of \$324,896. HSC section 34163 (c) (1) states redevelopment agencies are not allowed to amend or modify existing contracts, including extending terms of agreements. The contract term initially ended June 30, 2011. An amendment was executed on June 28, 2011 to extend the term to June 30, 2013 and increase the amount from \$450,000 to \$870,000. Therefore, item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 46 – Housing Projects in the amount of \$52,300 of Low and Moderate Income Housing Fund. HSC section 34176 (a)(1) states that the Housing Successor Entity shall be responsible for the housing functions and obligations previously performed by the RDA. The item is related to monitoring costs, which is considered housing operational costs that are the responsibility of the Housing Successor Entity. Therefore, the item is not an enforceable obligation of the Agency and not eligible for Low and Moderate Income Housing Fund funding.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$2,702,483 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,590,918
Less: Six-month total for items denied or reclassified as administrative cost	
Item 13	960,885
Item 13a	17,500
Items 18, 18a, 18b, and 18c*	0
Item 19	45,000
Item 22	80,000
Item 32**	14,800
Item 47**	20,250
Total approved RPTTF for enforceable obligations	<u>\$ 2,452,483</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>250,000</u>
Total RPTTF approved:	\$ 2,702,483

* No RPTTF funding requested for the reporting period

**Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 650,000
Total RPTTF for the period January through June 2013	2,452,483
Total RPTTF for fiscal year 2012-13:	\$ 3,102,483
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 250,000

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

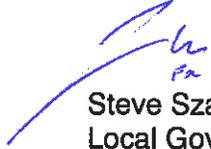
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Ms. Marita Hawryluk, Assistant Deputy Director, County of Alameda
Ms. Carol S. Orth, Tax Analysis, Division Chief, County of Alameda
California State Controller's Office