DEPARTMENT OF FINANCE

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December 18, 2012

Mr. 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of East Palo Alto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 20, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 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 7, 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 specific item being disputed.

- Item Nos. 4 and 13 – Bay Road Infrastructure Improvements totaling $1.9 million local match of a federal grant. Finance previously denied this item because the Federal grant is to the City of East Palo Alto, not the former Redevelopment Agency (RDA). While we understand the unique situation the Agency faces, Finance continues to deny this item. The documents provided did not indicate the redevelopment agency met or resolved to commit those funds. The documentation received were City Council and Oversight Board actions only purporting to do that. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $833,100 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	1,783,500
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item No. 4		475,200
Item No. 13		475,200
Total approved RPTTF for enforceable obligations	$	833,100
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		0
Total RPTTF approved:	$	833,100

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.

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Bob Adler, Auditor-Controller, San Mateo County
California State Controller's Office