

October 19, 2012

Ms. Kelly McAdoo Morariu  
Assistant City Manager  
City of Hayward Successor Agency  
777 B Street  
Hayward, CA 94541

Dear Ms. Morariu:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hayward 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 through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 3 – Repayment Agreement with City of Hayward in the amount of \$7 million; no funding source identified. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the City that created the former redevelopment agency (RDA) and the former RDA are not enforceable obligation.
- Item No. 4 – Loan for the Supplemental Education Revenue Augmentation Fund (SERAF) in the amount of \$3.9 million; no funding source identified. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, this item is not an enforceable obligation.
- Item No. 23 – Contract for Security Services in the amount of \$68,000. HSC section 34177 (h) states the successor agencies are required to expeditiously wind down the affairs of the redevelopment agency. Furthermore, HSC section 34181 (e) states that the Oversight Board shall direct the successor agency to determine whether any contracts, agreements, or other arrangements between the dissolved RDA and any private parties should be terminated. The Cinema Place Parking Maintenance and Easement Agreement section 4.03, sub-section D, states that the Agency has the right, but not the obligation, to provide security services, and further states the Developer may elect to provide, at its sole expense, the necessary patrol service and security personnel. The contract for this service has not yet been entered for the January through June 2013 period and is not an enforceable obligation entitled to RPTTF.

- Item Nos. 24 through 28 – Contracts for Maintenance and Utilities in the amount of \$49,600. The Cinema Place Parking Maintenance and Easement Agreement section 4.03 states that the Agency will pay 50% of the remaining parking operation costs which include maintenance and utilities. The Agency is requesting amounts that are equal or greater than the annual amount of the purchase orders and should only request RPTTF for the amount equal to 50% of the estimated costs. Therefore, of the total combined obligation of \$99,200 listed on the ROPS, \$49,600 is not eligible for RPTTF funding.
- Item Nos. 52 through 54 – Cinema Place Maintenance Reserve Payments in the amount of \$181,292. Neither the Cinema Place Parking Maintenance Agreement nor the Ground Lease state there is an obligation to fund a reserve account for parking operation costs. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

Although Item No. 3 was reclassified as administrative cost, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$4,216,021 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 4,140,393
Less: Six-month total for item(s) denied or reclassified as administrative cost*	
Item 13*	27,021
Item 23	34,000
Item 24	525
Item 25	1,750
Item 26	3,000
Item 27	7,000
Item 28	125
Item 52**	0
Item 53**	0
Item 54	2,972
Total approved RPTTF for enforceable obligations	<u>\$ 4,064,000</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>152,021</u>
<b>Total RPTTF approved:</b>	<b>\$ 4,216,021</b>

\* Reclassified as administrative cost

\*\* No RPTTF funding requested for the reporting period

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Tracy Vesely, Finance Director, City of Hayward  
Ms. Carol S. Orth, Tax Analysis Division Chief, County of Alameda