



October 26, 2012

Mr. William Avera, Development Services Director
City of Hollister
375 Fifth Street
Hollister, CA 95023

Dear Mr. Avera:

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hollister Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 12, 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. 8 – Rent Assistance Section 8 in the amount of \$840,000. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Since the contract with the Santa Cruz Housing Authority expired on December 1, 2008 and was not renewed, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. Furthermore, HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs.
- Item No. 9 – Housing Project Management in the amount of \$210,630. HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs. Therefore this is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 11 – Appeal West Gateway in the amount of 230,333 funded by bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Since no contract was in place for this item, it is not an enforceable obligation.
- Various items denied during previous ROPS reviews are listed on ROPS III:
 - Item Nos. 22 through 26 – Administrative Costs in the amount of \$456,112. These items were reclassified as administrative costs during previous ROPS review and disallowed because administrative costs claimed exceeded the

administrative cost allowance. Therefore, these items are still denied and not eligible for RPTTF funding.

- Item No. 27 – January Graffiti Removal in the amount of \$9,365. HSC section 34171 (d) (2) states that agreements or contracts between the city that created the redevelopment agency are not enforceable obligations; therefore, this is being denied and is not eligible for RPTTF funding.
- Administrative costs claimed for RPTTF exceed the allowance by \$125,444. 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, Item Nos. 17 and 18 were reclassified as administrative costs.

Amount administrative costs for fiscal year 2012-13	\$250,000
Administrative costs claimed for July through December 2012	228,344
Administrative costs claimed for January through June 2013	147,100
Overage	\$125,444

Except for items denied in whole or in part as enforceable obligations 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,251,379 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,864,615
Less: Six-month total for items denied or reclassified as administrative cost	
Item 8	42,000
Item 9	105,315
Item 17*	9,600
Item 18*	12,500
Item 22	174,835
Item 23	174,012
Item 24	100,800
Item 25	600
Item 26	5,865
Item 27	9,365
Total approved RPTTF for enforceable obligations	\$ 1,229,723
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	21,656
Total RPTTF approved:	\$ 1,251,379

*Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 2,371,288
Total RPTTF for the period January through June 2013	1,229,723
Total RPTTF for fiscal year 2012-13:	\$ 3,601,011
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	228,344
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 21,656

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 Mindy Patterson Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Mary Paxton, Program Manager, City of Hollister
Mr. Joe Paul Gonzalez, Auditor-Controller, San Benito County Auditor Controller