



October 11, 2012

Mr. Robert Stewart, Redevelopment Administrator
City of Pleasant Hill
100 Gregory Lane
Pleasant Hill, CA 94523

Dear Mr. Stewart:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pleasant Hill Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 27, 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. 7 – Bridge Housing Corporation Agreement in the amount of \$4.8 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that there are no contracts in place for this agreement; therefore, it is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 13 – Housing Fund deficit in the amount of \$644,448. The requirement to set aside 20 percent of redevelopment agency tax increment for low and moderate income housing purposes ended with the passing of redevelopment dissolution legislation. HSC section 34176 (e) (6) (B) states that repayments of loans or deferrals owed to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.
- Item Nos. 14 through 18 – Pass-through payments to various special districts totaling \$8 million. The agreement for these items specifies that the County Auditor-Controller is responsible for making the pass-through payments. HSC 34182 (c) (3) states the county auditor-controller shall prepare estimates of amounts of property tax to be allocated and distributed, and the amounts of pass through payments to be made in the upcoming six-month period. Therefore, pass-through payments are not eligible for RPTTF funding.

- Administrative costs claimed exceed the allowance by \$22,149. HSC section 34171 (b) limits fiscal year 2012-13 administrative expense to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Pleasant Hill received \$125,000 in administrative costs for the July through December 2012 period, leaving a balance of \$125,000 available for the January through June 2013 period. Although \$125,000 is claimed for administrative cost, the following items are considered administrative costs, and should be counted toward the cap:
 - Item No. 12 – Keyser, Marston Associates financial services in the amount of \$25,110.
 - Item No. 23 – Facilities and equipment usage costs in the amount of \$614,400.
 - Item No. 24 – Administrative cost allowance in the amount of \$8.3 million.

Therefore, \$22,149 of excess administrative cost is not allowed.

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 RPTTF distribution for the reporting period is \$1,879,831 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 2,385,676
Less: Six-month total for items denied or reclassified as administrative cost	
Item 7	239,610
Item 12*	12,549
Item 13	58,597
Item 14	30,712
Item 15	2,243
Item 16	81,465
Item 17	68,150
Item 18	2,919
Item 23*	9,600
Item 24*	125,000
Total approved RPTTF for enforceable obligations	\$ 1,754,831
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	\$ 1,879,831

*Reclassified as an administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,376,592
Total RPTTF for the period January through June 2013	1,754,831
Total RPTTF for fiscal year 2012-13:	\$ 3,131,423
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	125,000
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 125,000

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.

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/>.

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.

Mr. Robert Stewart
October 11, 2012
Page 4

Please direct inquiries to Nichelle Thomas, Supervisor or Wendy Griffe, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Mary McCarthy, Finance Manager, City of Pleasant Hill
Mr. Bob Campbell, Auditor-Controller, Contra Costa County