DEPARTMENT OF FINANCE

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December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 11, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 11, 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 9, 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.

- Item No. 7 – Bridge Housing Corporation Agreement in the amount of $4.8 million. Finance no longer objects to the item. Finance denied the item as HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011 and it was our understanding that there are no contracts in place for this agreement. The Agency contends the item is an enforceable obligation because the agreement was dated July 29, 1998. Finance agrees that the loan agreement executed between the former RDA and a third party on July 29,1998, which was amended on September 14, 2001, is an enforceable obligation per HSC section 34171 (d) (1) (E), which states any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy. Therefore, this item is an enforceable obligation.

- Items Nos. 14 through 18 – Pass-through payments to various special districts totaling $8 million. Finance denied the items as 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. The Agency contends the items are enforceable obligations because these are payments in settlement of litigation or threatened litigation separate from and in addition to the annual AB 1290 statutory pass-through payments. Finance agrees these agreements are enforceable obligations.

Therefore, the items are enforceable obligations eligible for Redevelopment Property Tax Trust Fund (RPTTF).

In addition, per Finance's ROPS letter dated October 11, 2012, the following items not disputed by the Agency continue to be denied:

- 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 moderation 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.

- 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.

The Agency's maximum approved RPTTF distribution for the reporting period is: $2,179,930 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 12*	12,549
Item 13	58,597
Item 23*	9,600
Item 24*	125,000
Total approved RPTTF for enforceable obligations	$ 2,179,930
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	$ 2,304,930

*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	2,179,930
Total RPTTF for fiscal year 2012-13:	**$ 3,556,522**
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.

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 Mary Halterman, 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
California State Controller's Office