



December 18, 2012

Mr. Brian Ponty, Finance Director  
City of Redwood City  
1017 Middlefield Road  
Redwood City, CA 94080

Dear Mr. Ponty:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redwood City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 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 14, 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 5 and 6 – Capital Improvement loans payable to the City and total \$2.5 million. Finance continues to deny the items at this time. Finance denied the items as HSC section 34171 (d) (2) states that agreements between the City and the Agency are not enforceable obligations. The Agency contends the items are enforceable obligations because a loan agreement between the City and the RDA was specifically entered into in connection with repayment of the Public Finance Authority bond issuance. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Although the Loan Agreement is solely for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the items are currently not enforceable obligations.

In addition, per Finance's ROPS letter dated October 8, 2012, the following items not disputed by the Agency continue to be denied:

- Item 11 and 15 – Affordable housing administration and monitoring in the amount of \$4,115 and \$10,000, respectively. These were housing assets transferred from the Agency to the City’s housing entity reported and approved on the City’s Housing Assets Transfer List. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for Redevelopment Property Tax Fund (RPTTF) funding.
- Administrative costs claimed exceed the allowance by \$32,000. HSC section 34171 (b) limits fiscal year 2012-13 administrative costs to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative costs. The Agency received \$125,000 of administrative costs for the July through December 2012 period, thus leaving a balance of \$125,000 available for the January through June 2013 period. Although \$125,000 is claimed for administrative cost, item numbers 8, 9, and 16 totaling \$32,000 are administrative costs and should be counted towards the cap. Therefore, \$32,000 of excess administrative cost claimed is not allowed.

The Agency’s maximum approved RPTTF distribution for the reporting period is: \$3,312,158 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 4,373,607
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 5	1,059,092
Item 6	88,300
Item 8	12,000
Item 9	5,000
Item 11	2,057
Item 15	5,000
Item 16	15,000
Total approved RPTTF for enforceable obligations	<u>\$ 3,187,158</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 3,312,158</b>

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 2,612,134
Total RPTTF for the period January through June 2013	3,187,158
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 5,799,292</b>
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
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 125,000</b>

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. Alison Freeman, Fiscal Services Manager, Redwood City  
Mr. Bob Adler, Auditor-Controller, San Mateo County  
California State Controller's Office