



November 11, 2012

Mr. Patrick Lynch, Director
City of Richmond
440 Civic Center Plaza
Richmond, CA 94804

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond Successory Agency (Agency) submitted a Recognized Obligation Payment Schedules (ROPS III) to the California Department of Finance (Finance) on September 27, 2012 for the period January to 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 – Supplemental Educational Reimbursement Allocation Fund repayment in the amount of \$14 million. HSC section 34191.4(b) (2) (A) provides that loan payments shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Various contracts totaling \$1.4 million. The former redevelopment agency is not a party to the following contracts; the contracts are with the City of Richmond and various third parties. These are obligations of the City, and therefore, these items are not enforceable obligations:
 - Item No. 67 – Miraflores Project in the amount of \$950,000 bond funds.
 - Item No. 94 – Nevin Court Project in the amount of \$420,000 RPTTF funding.
- Administrative costs claimed exceeds the allowance by \$1,011,770. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency claimed \$697,150 for administrative costs, which includes reclassified expenses in the amount of \$1,110,049 exceeding the \$795,429 cap. Therefore, \$1,011,770 of excess administrative cost claimed is not allowed. Items No. 16, 25, 28, 30 and 32 through 35 totaling \$1,110,049 have been reclassified as administrative costs.

Except for the items denied in whole or in part as enforceable obligations as noted above, Finance is approve 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 receiving 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 \$19,644,914 as summarized below:

Total RPTTF Funding Requested For Obligations	\$20,623,577
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 8	244,043
Item 16*	1,053,000
Item 25*	462
Item 28*	33,184
Item 30*	9,972
Item 32*	147
Item 33*	2,400
Item 34*	9,277
Item 35*	1,607
Item 94	420,000
Total approved RPTTF for enforceable obligations	\$18,849,485
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	795,429
Total RPTTF Approved:	\$19,644,914

*Reclassified as administrative costs

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 7,664,801
Total RPTTF for the period January through June 2013	18,849,485
Total RPTTF for fiscal year 2012-13:	\$ 26,514,286
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	795,429
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 795,429

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.

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Ted Ferrer, Senior Accountant, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County Auditor-Controller's Office