



December 18, 2012

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

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated November 11, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 27, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on November 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 29, 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 No. 8 – Supplemental Educational Reimbursement Allocation Fund repayment in the amount of \$14 million. Finance no longer objects to the item. Finance denied the item as HSC section 34191.4(b) (2) (A) provides that loan payments shall not be made prior to the 2013-14 fiscal year. The Agency contends the item is an enforceable obligation because it is not a loan agreement between the former redevelopment agency (RDA) and the City of Richmond; rather, it is a loan agreement between the former RDA and the State Department of Finance. Therefore, the item is an enforceable obligation per HSC section 34171 (d) (1) (C).
- Various contracts totaling \$1.4 million. As further discussed below, Finance no longer objects to Item 67; however, Finance continues to deny Item 94. Finance denied the items as the former RDA is not a party to the following contracts; the contracts are with the City of Richmond and various third parties.
 - Item No. 67 – Miraflores Project in the amount of \$950,000 bond funds. The Agency contends the item is an enforceable obligation because the Agency entered into a voluntary Cleanup Agreement with the California Department of Toxic Substance Control on November 31, 2005 to develop and implement a remedial action plan that would ensure the cleanup of hazardous materials contamination left on the site by its previous owners. The contract for

remediation was entered into by the former RDA with a third party on January 28, 2011. Therefore, the item is an enforceable obligation.

- Item No. 94 – Nevin Court Project in the amount of \$420,000 Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency contends the item is an enforceable obligation because it is currently set forth in two separate development loan agreements executed in 2005 by and between the former RDA, the City of Richmond, and the Community Housing Development Corporation of North Richmond. The item is an obligation of the former RDA approved by the former RDA Board and City Council in 2005. However, the Loan Agreement, Regulatory Agreement, and the Deed of Trust provided are between the City and a third party and not the former RDA. While the Promissory Note references the former RDA, it was not entered into by the former RDA. Additionally, the Agency did not demonstrate that the former RDA Board formally authorized the RDA to enter into a Promissory Note with the third party. Therefore, the item is not an enforceable obligation.
- Items No. 16, 25, 28, and 30 totaling \$1,096,618 have been reclassified as administrative costs. Finance no longer reclassifies Item 16 as an administrative cost and reduces the amount to \$871,195; however, Finance continues to reclassify the remaining items as administrative costs. The Agency contends the items are enforceable obligations because the employee costs listed are direct costs associated with the various enforceable obligations and the various contracts were entered into prior to June 27, 2011. HSC section 34171 (b) excludes employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction from the administrative cap. For Item 16, the Agency provided an estimate for employee costs totaling \$871,195 for the January through June 2013 period. Therefore, Item 16 is an enforceable obligation totaling \$871,195 but not the \$1,053,000 requested. The remaining items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, the remaining items are reclassified as administrative costs. Further, Items 32 through 35 totaling \$13,431, which were not disputed by the Agency during the Meet and Confer continue to be reclassified. Although Items 25, 28, 30, and 32 through 35 totaling \$57,049 for the ROPS III period were reclassified as administrative costs, the administrative cap was not exceeded.

The Agency's maximum approved RPTTF distribution for the reporting period is \$20,793,609 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF Funding Requested For Obligations	\$20,623,577
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 16 (portion denied)	181,805
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	<u>\$19,964,723</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>828,886</u>
Total RPTTF Approved:	\$20,793,609

*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	19,964,723
Total RPTTF for fiscal year 2012-13:	\$ 27,629,524
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	828,886
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 828,886

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.

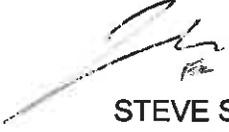
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited 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.

Mr. Patrick Lynch
December 18, 2012
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Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long, sweeping underline that extends to the left.

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
California State Controller's Office