



October 12, 2012

Mr. Mark Sawicki, Economic Development & Housing Manager  
City of San Carlos  
600 Elm Street  
San Carlos, CA 94070

Dear Mr. Sawicki:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Carlos Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 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 14 and 15 in the amount of \$303,000 pertain to remediation expenditures for contracts not yet awarded. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Because the Agency is prohibited from entering into new contracts the items are not enforceable obligations.
- Item 16, 17, and 18 in the amount of \$6.3 million is a reserve for a pending legal settlement with local school and community college districts. The settlement agreement has not been entered by a competent court of law or binding arbitration decision as required by HSC section 34171 (d) (1) (D). Pending settlements do not meet the definition of an enforceable obligation. Therefore, the \$6.3 million reserve is not enforceable and not eligible for funding.
- Administrative costs funded by RPTTF exceed the allowance by \$62,000. HSC section 34171 (b) limits administrative costs to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative cost allowance. The Agency received \$187,000 for administrative costs in the period July through December 2012, which leaves a balance of \$63,000 available for the January through June 2013 period. Therefore, \$62,000 of the claimed \$125,000 is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$725,198 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 965,198
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 14	3,000
Item 15	300,000
Total approved RPTTF for enforceable obligations	\$ 662,198
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	63,000
<b>Total RPTTF approved:</b>	<b>\$ 725,198</b>
<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 1,285,330
Total RPTTF for the period January through June 2013	662,198
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 1,947,528</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	187,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 63,000</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.

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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

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.

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Please direct inquiries to Robert Scott, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Tracy Kwok, Financial Services Manager, City of San Carlos  
Ms. Shirley Tourel, Senior Internal Auditor, County of San Mateo