DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 14, 2012

Ms. Tiffany Bohee, Executive Director
City and County of San Francisco Successor Agency
One South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Ms. Bohee:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City and County of San Francisco 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 12, 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 15, 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 items being disputed and no longer objects to the following items at this time:

- Item Nos. 68.01 through 68.21 – EDA Grant Agreements in the amount of $9.3 million.
- Items Nos. 84 and 86.01 – The Folsom Street Off-Ramp Project in the amount of $3.9 million.
- Item No.123.04 – 5800 3rd Street, Carroll Avenue Senior Tax Increment Loan Agreement in the amount of $3.3 million.
- Finance no longer reclassifies Item 36 as an administrative cost. However, although enforceable, Items 1 through 35, 37 through 41, and 45 through 51 totaling $857,652 are reclassified as administrative costs. Although the Agency contends those items are enforceable obligations per HSC section 34171 (b), 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, Item 36 is an enforceable obligation and Items 1 through 35, 37 through 41, and 45 through 51 totaling $857,652 are reclassified as administrative costs.

In addition, per Finance's ROPS III letter dated October 12, 2012, the following items which were not disputed by the Agency continue to be denied:

- Item No. 59 – The Grant Agreement for Bayview Opera House in the amount of $200,000. This is an agreement between the City and County of San Francisco and the Agency. HSC section 34171 (d) (2) states agreements, contracts, or arrangements between the city that created the Agency are not enforceable obligation. Therefore, this item is not eligible for RPTTF funding.

- Items Nos. 85, 85.01, 85.02, and 86 – The Folsom Street Off-Ramp Project in the amount of $210,000. There are no contracts in place to support these expenditures. The Agency requested bond proceeds for these items. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

The Agency's maximum approved RPTTF distribution for the reporting period is: $104,094,958 as summarized in the following table:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	$ 101,256,193
Less: Six-month total for item(s) denied or reclassified as administrative cost Items 1 through 35, 37 through 41, and 45 through 51*	238,261
Total approved RPTTF for enforceable obligations	$ 101,017,932
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	3,077,026
Total RPTTF approved:	$ 104,094,958

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 Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,

Steve Szalay
Local Government Consultant

cc: Ms. Sally Oerth, Deputy Director, City and County of San Francisco
Mr. James Whitaker, Property Manager, San Francisco County
California State Controller's Office