



December 18, 2012

Mr. Jeff Kay, Administrative Analyst
City of San Leandro
835 East 14th Street
San Leandro, CA 94577

Dear Mr. Kay:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Leandro Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 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 30, 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. 9 – General Fund Loan - Auto Mall in the amount of \$2,040,768 and items 27 through 30 – Cooperative Agreement related to the following projects:
 - Item No. 27 – Eden Rd Construction in the amount of \$1.5 million
 - Item No. 28 – Doolittle Dr. Streetscape in the amount of \$4.2 million
 - Item No. 29 – MacArthur Blvd. Streetscape in the amount of \$1.3 million
 - Item No. 30 – Hays St. Streetscape in the amount of \$2 million

At this time, Finance continues to deny the items noted above. HSC section 34171 (d) (2) states that agreements, contracts or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations. The Agency contends the item is an enforceable obligation because the Agency was authorized to reenter into the agreements by resolution of the duly appointed Oversight Board after making findings of benefit to taxing entities at their meeting on May 10, 2012, as permitted by HSC sections 34171 (d) (2), 34178 (a), and 34180 (h) as amended by ABx1 26 and effective as of the date of the Oversight Board's action. While HSC section 34178 (a) and 34180 (h) authorizes successor agencies to reenter into agreements, any agreement reentered into cannot conflict with the requirements set forth in HSC 34171 (d), as ABx1 26 did not specifically carve out an exception to the definition of an enforceable obligation nor did

HSC section 34178 (a) or 34180 (h) not withstand HSC section 34171 (d). Therefore, the Oversight Board had no legal basis to approve an action that directly conflicted with and violated the definition of an enforceable obligation.

Even if Finance did not object to the specific Oversight Board actions authorizing the Agency to reenter into agreements, the statute as a whole prohibits such an action from being validated if it conflicts with the definition of an enforceable obligation. Additionally, Finance has clearly defined authority under HSC section 34177 and 34179 (h) to review any items on ROPS to determine whether or not successor agencies are responsible for the obligation listed on their ROPS. Even if an Oversight Board approved an action that created an enforceable obligation, Finance has the authority to review the enforceable obligation for compliance with HSC section 34171 (d) or for compliance with any other statutory requirements contained in Chapter 26, statutes of 2012 (AB 1484). At no time can an Oversight Board action eliminate Finance's authority to review an enforceable obligation as part of a ROPS review. It is for these reasons that Finance continues to deny the items noted above. However, upon receiving a Finding of Completion, these items may become enforceable obligations.

- Item No. 26 – The Alameda-OPLA & Legal in the amount of \$6.4 million. The Agency contends the OPLA is an enforceable obligation and funding is needed for the development and construction of the project. The Agency further contends the amount requested on the ROPS is to maintain a reserve for construction as construction may be completed within 12 months and future demands on RPTTF may hinder the Agency's ability to pay. Finance reviewed the OPLA and determined it is an enforceable obligation; however, the Agency has not adequately demonstrated a need for the funds within this ROPS period. Based on documentation and discussion with Agency staff, certain provisions of the OPLA are required to proceed with construction and those provisions have not been met. Therefore, this item is not an enforceable obligation at this time.

In addition, per Finance's ROPS letter dated October 19, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 15 – King Property - Ground Lease Guaranty in the amount of \$46.8 million of other funding source. The litigation between Westland Bay Fair Mall (Lessee) and The Estate of Malcolm D. King, Janet C. King, Douglas M. King, and Mary Lou King (Lessors) is still ongoing. HSC Section 34171 (d) (1) (D) recognizes judgments and settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency (RDA) as an enforceable obligation. However, since no judgments, settlements or decisions have been issued for this case, this item is not an enforceable obligation at this time.
- Item No. 21 - Regency Center CAM Agreement in the amount of \$34,800. The agreement to provide common area maintenance for the downtown shopping center is between the City of San Leandro and Developers. The RDA is neither a party to the contract nor responsible for payment of the contract; therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative costs claimed for RPTTF exceed the allowance by \$59,998. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of

property tax allocated to the Agency or \$250,000, whichever is greater. Additionally, items 17 and 19 were reclassified as administrative costs.

Amount administrative costs for fiscal year 2012-13	\$250,000
Administrative costs claimed for July through December 2012	124,998
Administrative costs claimed for January through June 2013	185,000
Overage	\$59,998

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,300,245 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 3,283,354
Less: Six-month total for item(s) denied or reclassified as administrative cost*	
Item 9	445,611
Item 17*	15,000
Item 19*	45,000
Item 21	18,000
Item 26	584,500
Total approved RPTTF for enforceable obligations	\$ 2,175,243
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,002
Total RPTTF approved:	\$ 2,300,245

*Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 3,264,650
Total RPTTF for the period January through June 2013	2,175,243
Total RPTTF for fiscal year 2012-13:	\$ 5,439,893
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	124,998
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 125,002

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Cynthia Battenberg, Business Development Manager, City of San Leandro
Ms. Carol S. Orth, Tax Analysis Division Chief, Alameda County
Ms. Paula Crow, Attorney
California State Controller's Office