



December 18, 2012

Ms. Lisa Grote, Community Development Director
City of San Mateo
330 West 20th Avenue
San Mateo, CA 94403

Dear Ms. Grote:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Mateo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 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 26, 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 14 – Vendome Hotel in the amount of \$1,325,000 from Low and Moderate Income Housing Fund (LMIHF). Finance continues to deny the item. Finance denied the item as San Mateo County loaned the Redevelopment Agency (RDA) \$500,000 in 2008 to construct affordable housing. The agreement states the loan balance is due upon sale of the property. Therefore, the Agency should use sale proceeds when the property is sold to pay off the loan. The Agency contends the item is an enforceable obligation because they are expecting to sell the property and they are not expecting the proceeds to cover the loan. However, the Agency cannot use or dispose of properties until a Long-Range Property Management Plan is prepared pursuant to HSC section 34191.5. Therefore, the item is not an enforceable obligation.
- Item No. 39 – Fire Station 24 Demolition and Construction Project in the amount of \$3.3 million. Finance continues to deny the item. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding no valid contracts were entered into by June 27, 2011 to complete this project. Although the Agency and the City entered into a cooperation agreement on June 21, 2012 stating the Agency will reimburse the City for costs associated with this project, the agreement cannot cause an obligation that is contrary to HSC section 34171 (d). Therefore, the item is not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1,

2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

In addition, per Finance's ROPS letter dated October 8, 2012, the following items not disputed by the Agency continue to be denied:

- Item 17 through 24 – Community Funding – Affordable Housing Services Agreement totaling \$150,000. These are agreements utilizing the Redevelopment Agency (RDA) housing set-aside funds. The requirement to set aside funds into the LMIHF ended with the passage of redevelopment dissolution. In addition, the agreements expired on June 30, 2012. HSC Section 34176 (a) (1) states that the City may elect to assume all rights, duties, obligations, assets, and authority to perform the housing functions of the former RDA. On July 31, 2012, the City submitted a Housing Assets List to Finance effectively assuming and accepting the housing function responsibility of the Agency. Therefore, these items are not enforceable obligations and not eligible for LMIHF funding.
- Item 25 through 28 – Administration-Project Management Salaries totaling \$1,189,500. HSC Section 34176 (a) (1) states that the City may elect to assume all rights, duties, obligation, assets, and authority to perform the housing functions of the former RDA. On July 31, 2012, the City submitted a Housing Assets List to Finance effectively assuming and accepting the housing function responsibility of the Agency. The items were not listed as encumbrances on the Housing Assets Transfer List. Additionally, HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding from the Low and Moderate Income Housing Fund.
- Item 35 and 37 – Professional Consultant Services in the amount of \$12,500 and \$99,545, respectively. These agreements are between the City and a third party. Since the Agency is not a party to the agreement, they are not enforceable obligations and not eligible for funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$4,988,476 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 4,988,476
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	0
Total RPTTF approved:	\$ 4,988,476

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.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. David Culver, Finance Director, City of San Mateo
Mr. Bob Adler, Auditor Controller, San Mateo County
California State Controller's Office