



December 18, 2012

Mr. Jim Steele, Finance Director
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of South San Francisco Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 21, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 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 October 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 77 – 1999 Housing Bond Proceeds in the amount of \$2.4 million. Finance continues to deny the Item at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into new contracts with any entity after June 27, 2011. It is our understanding that there are currently no contracts in place to expend the related funds. Additionally, no specific projects were listed on the ROPS, which necessitated expenditure during the upcoming six-month period. Therefore, these line items are not enforceable obligations. The Agency contends that they have met the requirements of HSC 34176 (g) (2) and should be allowed to proceed with the expenditure of the bond funds. Unfortunately, the agency provided insufficient information to confirm the sufficiency of the excess bond proceeds. Therefore, they have not met the statutory requirements. Upon receiving a Finding of Completion from Finance, these items will become enforceable pursuant to HSC section 34191.4 (c).
- Items 32 and 33 - Two Housing Replacement Units totaling \$921,399 proposed to be funded with Redevelopment Property Tax Trust Fund (RPTTF). Finance continues to deny the Items. Obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets... shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of statutory obligations; to the extent any continue to be applicable. To conclude that

such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484.

- Item 78 – ROPS I Administration Cost reimbursement request in the amount of \$377,180. Finance continues to deny the Item. The Agency is only allowed to expend monies for approved enforceable obligations from the funding sources listed on the ROPS. This Item represents a loan received by the Agency from the City of South San Francisco for administrative costs which exceeded the approved administrative budget. As such, this Item is not an enforceable obligation.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$3,593,147, as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 4,740,127
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 32 - Two Housing Replacement Units	900,000
Item 33 - Two Housing Replacement Units	12,000
Item 78 - Administration Costs Paid in ROPS I	377,180
Total approved RPTTF for enforceable obligations	\$ 3,450,947
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	142,200
Total RPTTF approved:	\$ 3,593,147

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.

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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. Bertha Aguilar, Management Analyst, City of South San Francisco
Mr. Bob Adler, Auditor-Controller, San Mateo County
California State Controller's Office