



April 14, 2013

Mr. Scott Hanin, City Manager
City of El Cerrito Successor Agency
10890 San Pablo Avenue
El Cerrito, CA 94530

Dear Mr. Hanin:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Cerrito Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 1, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 Nos. 6 and 7 – Supplemental Educational Revenue Augmentation Fund (SERAF) and Educational Revenue Augmentation Fund (ERAF) loan repayments totaling \$1,247,318, are not allowed at this time. Pursuant to HSC 34191.4 (b) (2) (A), the maximum repayment amount authorized in each fiscal year, combined with the repayment of recognized sponsoring entity loans, shall be equal to one-half of the increase between the amount distributed to the taxing entity as residual in that fiscal year, and the amount distributed to the taxing entity as residual in the 2012-13 base year. Therefore, the Agency will need to obtain the 2013-14 residual amounts in order to compute the repayment amounts. As required by HSC section 34191.4 (b) (2) (A), the 2013-14 residual amounts should be based on the actual amount, not on an estimated amount. Therefore, the 2013-14 amounts will be based on the Recognized Obligation Payment Schedule (ROPS) 13-14A and ROPS 13-14B distributions. Consequently, the Agency may be able to request funding for the SERAF and ERAF loan repayments beginning with ROPS 14-15A.
- Item 16 – City Cash Flow Loan Agreement in the amount of \$238,000. The Agency has not provided sufficient documentation to support litigation expense, in the amount of \$131,716. Therefore, \$131,716 is not an enforceable obligation and is not eligible for funding on the ROPS.
- Item 17 – Eden Housing Loan Agreement Pre Development and Disposition Agreement (DDA) in the amount of \$60,000. According to the DDA, in Section 2.08, subsection (f) of the loan agreement, which states the agreement may be terminated if "State action

limits or otherwise adversely affects redevelopment agency financing, redevelopment projects and/or redevelopment agencies.” HSC section 34177 (h) requires the successor agency to expeditiously wind down the affairs of the redevelopment agency.

Additionally, this item was denied as an inclusion to the ROPS for the period January through June 2013, and later upheld through the Meet and Confer process in the letter dated December 18, 2012. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item 19 – Cooperation Agreement with El Cerrito Municipal Services Corporation (MSC) in the amount of \$696,750. MSC is considered part of the City of El Cerrito per HSC section 34167.10 (a). Pursuant to HSC section 34171 (d) (2), which states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.
- Claimed administrative costs exceed the allowance by \$19,392. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$269,392 is claimed for administrative cost, Item No. 8 – Accrued Vacation Liability, in the amount of \$19,392, is considered an administrative expense and should be counted toward the cap. Therefore, \$19,392 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining item listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,216,679 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,040,857
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 6	132,776
Item 7	33,544
Item 8*	19,392
Item 16	131,716
Item 17	60,000
Item 19	696,750
Total approved RPTTF for enforceable obligations	\$ 966,679
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 1,216,679

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B)

Mr. Hanin
April 14, 2013
Page 4

requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'STEVE SZALAY', with a long, sweeping underline.

STEVE SZALAY
Local Government Consultant

cc: Ms. Lori Trevino, Economic Development Manager
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office