



May 17, 2013

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

Dear Mr. Hanin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of El Cerrito Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 1, 2013 for the period of July through December 2013. 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 May 2, 2013.

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 Nos. 6 and 7 – Supplemental Educational Revenue Augmentation Fund (SERAF) and Educational Revenue Augmentation Fund (ERAF) loan repayments totaling \$1,247,318. Finance continues to deny these items at this time. HSC section 34176 (e)(6)(B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund (LMIHF) shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these deferred amounts is subject to the repayment formula outlined in HSC section 34176 (e)(6)(B).

HSC section 34176 (e)(6)(B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of housing deferred set-aside loans beginning with ROPS 14-15A. As such, this line item is not an enforceable obligation and will not be eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 8 – Accrued Vacation Liability in the amount of \$19,392. Finance is no longer reclassifying this item as an administrative cost. During the Meet and Confer process, the Agency stated this cost is associated with the former redevelopment Agency's

employees. The Agency provided the trial balance listing reports showing the expenditure. Pursuant to HSC section 34171 (d) (1) (C), costs incurred in connection with the agencies' employees shall be considered enforceable obligations. Therefore, this item is considered an enforceable obligation and eligible for RPTTF funding on the ROPS.

- Item No. 16 – City Cash Flow Loan Agreement in the amount of \$238,000. Finance no longer objects to this item. During the Meet and Confer process, the Agency provided additional documentation to support \$131,716 for on-going litigation costs. Therefore, this item is eligible for RPTTF funding on the ROPS.
- Item No. 17 – Eden Housing Loan Agreement in the amount of \$60,000. Finance is no longer objecting to this item. It is our understanding the requested amount was part of the Post Development and Disposition Agreement (DDA) costs. During the Meet and Confer process, the Agency provided additional documentation and explained this item pertains to the Pre-DDA costs in the amount of \$100,000. The total \$100,000 Pre-DDA costs minus \$40,000 paid results in a remaining balance of \$60,000. Therefore, this item is an enforceable obligation and eligible for funding on the ROPS.
- Item No. 19 – Cooperation Agreement with El Cerrito Municipal Services Corporation (MSC) in the amount of \$696,750. Finance continues to deny this item. The Cooperation Agreement was previously denied in both the ROPS III determination letter dated October 22, 2012 and the ROPS III Meet and Confer determination letter dated December 18, 2012. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable.

The MSC is considered part of the City per HSC section 34167.10 (a) (3). The Agency contends the MSC is a separate and distinct entity from the City. However, the City of El Cerritos' (City) Comprehensive Annual Financial Report for the Year Ended June 30, 2011, states that "the City, the El Cerrito Redevelopment Agency, the El Cerrito Public Financing Authority, and the El Cerrito Municipal Services Corporation which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities." Per HSC section 34167.10 (c), it shall not be relevant that the entity is formed as a separate legal entity, nonprofit corporation, or otherwise, or is not subject to the constitution debt limitation otherwise applicable to a city, county, or city and county. Therefore, the MSC is considered part of the City. As noted above, HSC section 34171 (d) (2) applies; therefore, the item is not an enforceable obligation eligible for RPTTF funding on the ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,427,787 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 19	696,750
Total approved RPTTF for enforceable obligations	\$ 1,177,787
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 1,427,787

*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/.

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)

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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 Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

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