DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 12, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hercules Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 26, 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 No. 18 – Various Sycamore North Construction Contracts totaling $2,076,643 are not obligations of the Agency. These contracts are between the City of Hercules and various third party vendors. The former redevelopment agency (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 Redevelopment Property Tax Trust Fund funding on the ROPS.

Item No. 10 –DDLA for Hercules Senior Housing Development. This item was previously denied on the January through June 2013 ROPS. Subsequently, the Agency provided sufficient documentation to support the required operating subsidy in the amount of $130,000. Specifically, Finance finally received a true and complete copy of the DDLA including key pages that were missing from previous version provided to Finance. Those pages specifically delineate a $130,000 annual pledge that makes this item and enforceable obligation. Therefore, Finance is adjusting the ROPS accordingly and allowing this item as an enforceable obligation and is approving $130,000 in RPTTF.

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. 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 $9,180,795 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	10,994,760
Plus: Item 10	$	130,000
Minus: Six-month total for items denied or reclassified as administrative cost Item 18		2,076,643
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		
Total approved RPTTF for enforceable obligations	$	9,048,117
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		132,678
Minus: ROPS II prior period adjustment		-
Total RPTTF approved for distribution:	**$**	**9,180,795**

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. 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. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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) 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,

STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office