



May 17, 2013

Mr. Farhad Mortazavi, Community Development Director
City of Millbrae Successor Agency
621 Magnolia Avenue
Millbrae, CA 94030

Dear Mr. Mortazavi:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Millbrae Successor Agency (Agency) submitted ROPS 13-14A to Finance 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 April 24, 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 items being disputed.

- Item No. 8 – Pension Obligation Bonds in the amount of \$35,047 was denied by Finance because the agreement was between the City of Millbrae (City) and Wells Fargo Bank. The former redevelopment agency (RDA) did not have its own staff separate from the City; the City staff charged the time they spent working on RDA activities. Therefore, the City is named as the party to the bond, and the RDA did not enter into pension agreement itself. As such, the Agency is responsible for a prorated share of the pension obligation for the City staff allocated to redevelopment work. Additionally, per HSC Section 34167 (d) (3), pension obligations are enforceable obligations by the RDA. Based on a review of the pension obligation bond allocation schedule provided by the Agency, Finance noted that the Agency's prorated share of the pension obligation has been 4 percent for the past three years. Therefore, the item is an enforceable obligation eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Maintenance of the following items totaling \$30,000 was denied by Finance:
 - Item No. 11 – Supplies in the amount of \$15,000
 - Item No. 12 – Employee costs in the amount of \$15,000

The San Mateo County Auditor-Controller's review of ROPS 13-14A revealed that the estimated costs for Item Nos. 11 and 12 have increased 400 percent or more from the previous two ROPS periods. HSC 34171 (d) (1) (F) states that contracts or agreements

necessary for the administration or operation of the successor agency, including costs of maintaining assets prior to disposition, are enforceable obligations. The Agency was unable to provide sufficient documentation or justification to support the extraordinary increase in estimated costs for Item Nos. 11 or 12. Therefore, Finance is adjusting the requested amounts in excess of prior ROPS periods and allowing maintenance costs in line with amounts requested in the two previous ROPS periods as follows:

- Item No. 11 – Finance adjusts the requested amount of \$15,000 by \$12,550 to \$2,450
- Item No. 12 – Finance adjusts the requested amount of \$15,000 by \$12,000 to \$3,000
- Item No. 13 – Disposition of Properties in the amount of \$40,000. Finance previously denied this item as the Agency was unable to provide documentation to support the estimated costs and the Agency had requested and received RPTTF for this item in the two previous ROPS periods, totaling \$80,344. The Agency could not provide contracts or agreements for these disposition activities because they will not enter into agreements until it is ready to begin the disposition process. The Agency provided an estimate of potential disposition costs for the ROPS 13-14A period. Unused funds that were requested during prior ROPS periods for this item will be taken back using prior period ROPS adjustments. As a result Finance will allow the Agency to request \$40,000 in RPTTF for the ROPS 13-14A period.

In addition, per Finance's ROPS letter dated April 12, 2013, the following items continue to be denied and were not contested by the Agency:

- Item No. 15 – Low and Moderate Income Housing Fund (LMIHF) and Non-Housing Fund Audits in the amount of \$20,000. The engagement letter provided by the Agency quoted the audit costs for the LMIHF Due Diligence Review (DDR) and the Other Funds and Accounts (OFA) DDR for an estimated total of \$12,000 to \$15,000. The Agency requested and received \$20,000 for this line item on ROPS III, for the period of January through June 2013. These funds should still be in the possession of the Agency. The Agency was unable to provide justification for additional RPTTF for the LMIHF DDR and OFA DDR audit costs

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 RPTTF distribution for the reporting period is \$544,747 as summarized on next page:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 679,819
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 11	12,550
Item 12	12,000
Item 15	20,000
Total approved RPTTF for enforceable obligations	\$ 635,269
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(215,522)
Total RPTTF approved for distribution:	\$ 544,747

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

Mr. Farhad Mortazavi

May 17, 2013

Page 4

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Ms. LaRae Brown, Finance Director, City of Millbrae
Ms. Shirley Tourel, Senior Internal Auditor, County of San Mateo
California State Controller's Office