



April 13, 2013

Ms. Sarah Schlenk, Agency Administrative Manager
Oakland Redevelopment Successor Agency
250 Frank H. Ogawa Plaza, #3315
Oakland, CA 94619

Dear Ms. Schlenk:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Oakland Redevelopment Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 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. 384 – Grant/Loan Management Software in the amount of \$385,000. The agreement was between the City of Oakland (City) and the software entity to license, install, and customize software to upgrade and replace the City's grant and loan management system. According to the Agency, pursuant to a cooperative agreement executed in July 2004 between the Redevelopment Agency (RDA) and the City, the RDA agreed to reimburse the City for technical support needed for housing project delivery. HSC section 34176 (a) (1) states if a city elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city. Since the City assumed the housing functions of the RDA, the administrative and operating costs associated with these functions are the responsibility of the housing successor. Therefore, the item is not eligible for Redevelopment Property Tax Trust Fund funding
- Administrative costs in the amount of \$2,280. 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 \$1,152,112 is claimed for administrative cost, only \$1,149,832 is available pursuant to the cap. Therefore, excess administrative cost for \$2,280 is not allowed.

Furthermore, Finance reviewed Low and Moderate Income Housing Project and Operation costs as requested by the Agency. These costs were previously denied on the January through June 2013 ROPS (ROPS III). During the ROPS III review, the Agency was unable to substantiate the distinction between housing project management costs and other housing

administrative costs. Subsequently, the Agency provided additional information to support the project management costs in the amount of \$849,314 for ROPS III. However, it is still not clear to us how these costs are associated with the projects approved as enforceable obligations on ROPS. Therefore, Finance continues to deny these costs at this time. However, Finance expects the Agency to provide additional clarification through the Meet and Confer process.

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/](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: \$38,685,537 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 38,403,746
Minus: Six-month total for items denied or reclassified as administrative cost Item 384	76,000
Total approved RPTTF for enforceable obligations	\$ 38,327,746
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	1,149,832
Minus: ROPS II prior period adjustment	(792,041)
Total RPTTF approved for distribution:	\$ 38,685,537

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a small 'K' or similar mark below the name.

STEVE SZALAY
Local Government Consultant

cc: Mr. Patrick Lane, Redevelopment Program Manager
Ms. Carol S. Orth, Tax Analysis, Division Chief, County of Alameda
California State Controller's Office