



May 17, 2013

Mr. Brian Ponty, Finance Director
City of Redwood Successor Agency
1017 Middlefield Road
Redwood City, CA 94063

Dear Mr. Ponty:

Subject: Recognized Obligation Payment Schedule

This letter supersedes 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 Redwood (City) 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 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 item being disputed.

- Item Nos. 25 through 37 – FY 2009-10 and 2010-11 pass-through payments totaling \$940,849. Finance continues to deny Item No. 25, statutory payment to the City of Redwood City, in the amount of \$131,701. The City Council of the City of Redwood, who also acted as the former redevelopment agency (RDA), elected to receive their portion of AB 1290 pass-through payments in December 2012. HSC section 34163 (b) and (c) prohibit a RDA from entering into or amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund funding.

Finance no longer denies the remaining items, 26 through 37, totaling \$809,148. The Agency provided documentation showing the affected taxing entities were due amounts for fiscal years 2009-2010 and 2010-2011.

In addition, per Finance's ROPS letter dated April 14, 2013, the following item continues to be denied and was not contested by the Agency:

- Item No. 21 – Audit fees in the amount of \$5,000 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to \$130,000, the administrative cost allowance has not been exceeded.

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 \$1,240,633 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,347,824
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 21*	5,000
Item 25	131,701
Total approved RPTTF for enforceable obligations	\$ 1,211,123
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	130,000
Minus: ROPS II prior period adjustment	(100,490)
Total RPTTF approved for distribution:	\$ 1,240,633

*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

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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: Ms. Alison Freeman, Financial Services Manager, City of Redwood City
Mr. Bob Adler, Auditor-Controller, San Mateo County
California State Controller's Office