

May 17, 2013

Mr. Patrick Lynch, Director
City of Richmond Successor Agency
440 Civic Center Plaza
Richmond, CA 94804

Dear Mr. Lynch:

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 Richmond Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 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 1, 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 No. 16 – Employee Costs in the amount of \$871,195 funded by Redevelopment Property Tax Trust Fund (RPTTF). Finance originally reclassified this item as administrative cost. The Agency contends that this item is an enforceable obligation because these are expenses that are related to specific projects and not general employee cost. The following categories are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Finance no longer reclassifies this item as an administrative cost. During the Meet and Confer process, Agency was able to provide a breakdown of employee cost by project area. This is an allowable expense under HSC section 34171 (b) as these are employee costs associated with work on specific projects. Therefore, this item is an enforceable obligation.

- Item Nos. 89 and 92 – Project Areas Streetscapes totaling \$116,000 funded by RPTTF. Finance continues to deny these items. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. It is our understanding that the original contracts for these line items have expired and subsequent amendments were entered into after June 27, 2011. Therefore, these contracts, as amended, are not enforceable, and these line items are not eligible for funding on the ROPS.
- Item 90 – Project Area Streetscape Contract with AN West Inc. in the amount of \$5,300 funded by RPTTF. Finance continues to deny this item. The original contract was entered into on April 13, 2009 for engineering services. The contract term was from March 1, 2009 through December 31, 2009. Amendments 1, 2, and 3 extended the contract term through December 31, 2012. Subsequent Amendments were entered into after June 27, 2011, therefore not valid amendments. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. Agency stated that this item has been awarded a federal grant and obligated to continue with the project. However, after further review, it was determined that no tax increment was pledged in the grant agreement. In addition, the grant funds issued by The Bay Area Quality Management District were required to be spent within two years of the effective date of the grant agreement. Therefore, the grant agreement is expired. This item is not an enforceable obligation and not eligible for RPTTF funding.
- Item 93 – Project Area Streetscapes totaling \$152,000, funded by RPTTF. Finance continues to deny this item. Finance originally denied this item due to contracts amended after June 27, 2011. The Agency contends that these are enforceable obligations because it is legal cost related to three project areas: Transit Village, Mira Flores, and the Underpass project. However, no documentation was provided to support the amounts claimed. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$8,199. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$387,437 in administrative expenses. Although \$395,636 is claimed for administrative cost, only \$387,437 is available pursuant to the cap. Therefore, \$8,199 of excess administrative cost is not allowed.

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 \$13,302,013 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 13,187,876
Minus: Six-month total for items denied	
Item 89	25,000
Item 90	5,300
Item 92	91,000
Item 93	152,000
Total approved RPTTF for enforceable obligations	\$ 12,914,576
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	387,437
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 13,302,013

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

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Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Ted Ferrer, Senior Accountant, City of Marina
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office