



May 17, 2013

Mr. Bradley Ward, Finance Director
San Pablo Local Successor Agency
13831 San Pablo Avenue
San Pablo, CA 94806

Dear Mr. Ward:

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 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Pablo Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 5, 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 6, 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 Nos. 3 and 5 – Joint Powers Financing Authority (Authority) 2001 and 2004 Bonds totaling \$52,785,918. Finance no longer objects to these items. The Agency was able to provide documentation indicating the Agency's pledge of tax revenues toward the payment of principal and interest on the Authority's 2001 and 2004 Tax Allocation Revenue Bonds. Therefore, these items are enforceable obligations and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 7 – 2006 Tax Allocation Bond Series A (2006A TAB) – Reserve Balance in the amount of \$914,864. Finance originally adjusted the total amount from \$914,864 to \$910,000. The Agency contends the reduction of \$4,864 and that the payment for the 2006 tax allocation bonds must come from the Reserve Balance. Finance denies the use of the Reserve Balance in the amount of \$914,864.

In ROPS III, the Agency requested and was approved for RPTTF in the amount of \$910,000 for reserves for the payment of debt service on the 2006A TAB in the ROPS 13-14A period. However, the Agency did not receive sufficient RPTTF from the County Auditor-Controller (CAC) in order to set aside reserves from the RPTTF distribution.

During the Meet and Confer process, the Agency stated that the reserve funds to be used for the debt service payment are from numerous sources other than RPTTF. At the time of this review, the Agency has not submitted the Other Funds and Accounts

Due Diligence Review (OFA DDR) to Finance. Pursuant to HSC section 34179.6 (f), the unencumbered OFA balances, as determined in the OFA DDR by Finance, shall be remitted to the affected taxing entities. Therefore, the Agency's request to use reserve funds that should no longer be held by the Agency is hereby denied.

- Item Nos. 20, 21, 24, and 26 – Various Bond Administrative Fees totaling \$258,502. Finance originally changed the funding source from Reserve Balances to RPTTF. There is no change in Finance's determination. The Agency has requested authority to spend Reserve Balances for these items. Pursuant to HSC section 34179.6 (f), the unencumbered OFA balances, as determined in the OFA DDR by Finance, shall be remitted to the affected taxing entities. Therefore, the funding source for these items remains to be funded by RPTTF.
- Item Nos. 22, 23 and 25 – Various Bond Legal Fees totaling \$65,000. Finance no longer denies these items. These items were originally denied stating that there were no contracts in place and prohibited redevelopment agencies (RDA) from entering into a contract with any entity after June 27, 2011. However, these items are bond related fees funded by Reserve Balances. Pursuant to HSC section 34179.6 (f), the unencumbered OFA balances, as determined in the OFA DDR by Finance, shall be remitted to the affected taxing entities. Therefore, the funding source for these items has been changed from Reserve Balances to RPTTF.
- Item No. 27 – Audit per AB 1484 in the amount of \$28,000. This item is considered a general administrative cost and has been reclassified from Reserve Balance to the Administrative Allowance. Finance continues to reclassify this item as administrative costs. The Agency contends the item as an enforceable obligation because it is related to annual post audit of the financial records. However, the item does not fall into any of the following categories that 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.

Although this reclassification increased administrative costs to \$159,998, the administrative cost allowance has not been exceeded.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$6,055,189 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 5,739,689
Plus: Reclassified from Reserves to RPTTF	
Item 20	12,000
Item 21	25,000
Item 22	20,000
Item 23	25,000
Item 24	15,750
Item 25	20,000
Item 26	37,752
Minus: Six-month total for item denied	-
Total approved RPTTF for enforceable obligations	\$ 5,895,191
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost*	159,998
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 6,055,189

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 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 III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in 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 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 questioned on this ROPS or a preceding ROPS.

Mr. Bradley Ward
May 17, 2013
Page 4

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Kelsey Worthy, Assistant City Manager, City of San Pablo
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office