



March 28, 2013

Mr. Jim Steele, Finance Director
City of South San Francisco
P.O. Box 711
South San Francisco, CA 94083

Dear Mr. Steele:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of South San Francisco Successor Agency(Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 14, 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. 15 – Harbor District Agreement in the amount of \$2 million. This agreement does not become an enforceable obligation to the Agency until the District Capital Improvement and Management Plans for Harbor Operations has been submitted by the District. These plans currently do not exist; therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

To the extent these constitute an enforceable obligation, the Agency should request funding for these in a future ROPS.

- Item No. 57 – 1999 Housing Bond Proceeds in the amount of \$2.3 million. This was originally Item No. 77 on ROPS III. Finance still continues to deny this item. HSC section 34163 (b) prohibits a redevelopment agency from entering into new contracts with any entity after June 27, 2011. It is our understanding that there are currently no contracts in place to expend the related funds. Additionally, no specific projects were listed on the ROPS, which necessitated expenditure during the upcoming six-month period. Therefore, this line item is not an enforceable obligation. Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.
- Item No. 62 – Loan Agreement in the amount of \$74,162. As a result of the review of the Agency's Oversight Board Resolution (OB) 03-2013 approving a loan agreement between the Agency and the City of South San Francisco, Finance determined the OB Resolution was partially allowed. The Agency requested \$74,162 to fund non-housing

obligations. Of this amount, \$42,660 was listed on the January through June Recognized Obligation Payment Schedule (ROPS I). Since the Agency received the requested amount of RPTTF, there should be no need for this portion of the loan. Therefore, this item is not eligible for RPTTF funding on this ROPS.

- Claimed administrative costs exceed the allowance by \$68,464. HSC section 34171 (b) limits fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. Although \$298,964 is claimed for administrative cost, Item No. 59 for Audit Services in the amount of \$7,500 and Item No. 64 for Consultant Fees in the amount of \$12,000 are considered administrative expenses which total to \$318,634 and should be counted toward the cap. Therefore, \$68,464 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. 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$5,850,802 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 10,033,299
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 15	(2,000,000)
Item 59*	(7,500)
Item 62	(42,660)
Item 64*	(12,000)
Total approved RPTTF for enforceable obligations	\$ 7,971,139
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	(2,370,337)
Total RPTTF approved for distribution:	\$ 5,850,802

*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_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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Bertha Aguilar, Management Analyst, City of San Bruno
Mr. Bob Adler, Auditor Controller, San Mateo County
California State Controller's Office