



December 17, 2013

Mr. Patrick Lynch, Director
City of Richmond
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) letter dated November 10, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 10, 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 November 26, 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. 1 through 4, 9, and 12 – Various Tax Allocation Bonds totaling \$4,542,206. Finance no longer denies these items. The Agency requested \$7,694,212 from the Redevelopment Property Tax Trust Fund (RPTTF); however, Finance initially denied \$4,542,206 as the total amount due during ROPS 13-14B is \$3,152,006. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our initial review of the bond indentures, we did not note any requirement to create such reserves. Additionally, based on the Agency's history, it is our understating the next property tax allocation will be sufficient to make debt service payments due for these items. During the Meet and Confer process, the Agency contended that the indentures require all available revenue to be set aside as soon as they are available until sufficient funds to make the entire annual debt service payments are held in reserve. Based on further review, this requirement is included in the bond documents for the 1998, 2000 Series A and B, 2003 Series A and B, and 2004 Series B bonds. Therefore, the amount requested from the RPTTF to be held in reserve totaling \$4,542,206 is approved along with the \$3,152,006 for ROPS 13-14B debt service payments.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$4,542,206 requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with \$3,152,006 approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

- Item No. 55 – Metrowalk Phase II and BART Garage Project in the amount of \$14,213,057. Finance no longer denies this item. Funding for this project was provided in part by grant funds; however, Finance initially denied this item as insufficient documentation was provided to support the amounts claimed. During the Meet and Confer process, the Agency provided a breakdown of the project costs and the various funding sources to be used on the project, which includes RPTTF funding in the amount requested. Therefore, this item is eligible for RPTTF funding.

Unless insufficient RPTTF is received to satisfy this obligation during the ROPS 13-14B period, any requests to fund this item again in future ROPS periods from the RPTTF will be denied because the \$5,036,913 requested in the ROPS 13-14B satisfies the Agency's obligation using funds from the RPTTF.

- Item No. 67 – Miraflores Project Remediation in the amount of \$1,550,000. Finance no longer denies this item. Finance initially denied this item because according to information provided by the Agency, the amounts expended to date, plus the current amount claimed, exceed the total obligation. Based on further review during the Meet and Confer process, it was determined the outstanding obligation amount listed on the current ROPS of \$1,550,000 is related to the 2007 Series B bonds to be expended on the project, which the Agency is requesting to use. The Agency provided a breakdown for the project tasks totaling \$19,979,150 and all of the funding sources to be expended on the project, which includes various bonds and multiple grants received. Therefore, this item is eligible for Bond funding.
- Item No. 116 – 1998 Bonds Reserve Shortfall in the amount of \$1,115,756. Finance no longer denies this item. Finance initially denied this item as insufficient documentation was provided to support the amounts claimed. During the Meet and Confer process, the Agency provided information from the trustee indicating the amount of the shortfall. Therefore, this item is an enforceable obligation and is eligible for RPTTF funding.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the \$1,115,756 requested to replenish the reserve account should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

- Finance initially determined Item No. 37 – Compliance Monitoring Costs in the amount of \$107,000 should be considered an administrative expense and counted toward the cap. During the Meet and Confer process, the Agency contended that several enforceable obligations listed on the ROPS entail the construction of public works projects, which require assurance that all contractors pay prevailing wages and to monitor and review wage records. Finance verified that this requirement is included in the contracts and such costs should be considered enforceable obligations, not administrative costs. Therefore, Finance no longer reclassifies Item No. 37 as an administrative cost.

In addition, per Finance's letter dated November 10, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 72 – Marina Bay Trails Landscape/Security/Improvements Project in the amount of \$7,563. According to information provided by the Agency, the contract for these services is valid through December 31, 2013. Additionally, the Agency is requesting \$50,000; however, the total obligation remaining is \$7,563. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item Nos. 117 and 118 – 2013 Series A and Series B Refunding Bonds totaling \$42,575,026. It is our understanding these bonds have not yet been issued. Once the bonds have been issued, they may be deemed enforceable obligations, subject to the conditions described in HSC section 34177.5. As such, the Agency is currently approved for \$0 in funding for these obligations. To the extent bonds are refunded, the Agency may request a Meet and Confer to establish funding for these items.

Pursuant to HSC section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$16,503,804 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	18,231,439
Total RPTTF requested for administrative obligations	546,943
Total RPTTF requested for obligations	\$ 18,778,382
Total RPTTF requested for non-administrative obligations	18,231,439
<u>Denied Item</u>	
Item No. 72	(50,000)
	(50,000)
Total RPTTF approved for non-administrative obligations	18,181,439
Total RPTTF requested for administrative obligations	546,943
Self-Reported ROPS III prior period adjustment (PPA)	(2,224,578)
Total RPTTF approved for distribution	16,503,804

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 34171 (d), HSC section

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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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Lizeht Zepeda, Operations Specialist II, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office