

May 16, 2014

Ms. Debbie Potter, Manager Housing Development and Programs
City of Alameda
701 Atlantic Street
Alameda, CA 94501

Dear Ms. Potter:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 4, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Alameda Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 24, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 4, 2014. 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 21, 2014.

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.

In addition, per Finance's letter dated April 4, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 7 through 10 – Series 2003 Tax Allocation Bonds debt service reserves totaling \$833,344 from Reserve Balances. Finance no longer denies these items. Based upon additional review of the bond indentures for the bonds listed above, the Agency is required to deposit tax revenues equal to half of the principal and the next interest payment due in to a special fund. Therefore, the debt service reserves requested are allowed.

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 amounts approved to be held in reserve for the Series 2003 and 2011 bonds along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustee. The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the 14-15B period may be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item No. 17 – Loan for Supplemental Educational Revenue Augmentation Fund (SERAF) Payment in the amount of \$910,290 with \$512,294 payable from Reserve Balances and \$397,996 payable from RPTTF. Finance continues to partially deny the RPTTF portion of this item and increases that denied portion to \$150,036. We note that the outstanding balance on the loan as of the dissolution date was \$808,781. The amount claimed by the Agency or \$910,290 applies a six percent interest rate as noted in the agreement provided. However, pursuant to HSC section 34171 (d) (1) (G), only the amounts borrowed from the Low and Moderate Income Housing Fund are enforceable obligations, not the accrued interest. Based on our original review of the prior period adjustments for the January 1, 2012 through June 30, 2012 (ROPS I), and July 1, 2012 through December 31, 2012 (ROPS II) periods, the Agency identified they made payments totaling \$48,527 to the Alameda Housing Authority for the SERAF loan. This amount should be deducted from the total outstanding balance. Therefore, Finance has determined the outstanding balance on the loan is \$760,254 (\$808,781 - \$48,527). The Agency is authorized to pay \$512,294 from Reserve Balances. The Agency is also approved to receive and expend \$247,960 in RPTTF (\$760,254 - \$512,294). The remaining \$150,036 (\$397,996 – \$247,960) requested from RPTTF is not allowed.
- Item No. 54 – Housing Entity Administrative Cost Allowance in the amount of \$75,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former RDA of the City of Alameda (City) is the City-formed Housing Authority (Authority), and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but that the City assigned the housing functions of the former RDA to the Authority, as a separate legal entity from the City, pursuant to HSC section 34176 (b) (2) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of “city” includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. The “city” definition under HSC section 34167.10 (a) states that it is for the purpose of Part 1.85 (commencing with Section 34170), which includes HSC section 34171 as amended by AB 471. The Authority is controlled by the City because the City was involved in the formation of the Authority, which is a factor to be considered when determining if an entity is controlled by the city pursuant to HSC section 34167.10 (b).

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that “the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts.” Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$75,000 of housing entity administrative allowance.

Review of ROPS 14-15A included Agency's Oversight Board (OB) Resolution 14-03 approving an agreement between the Agency and the City for the expenditure of Series 2003 A & B bond proceeds for crosswalk improvements and OB Resolution 14-04 approving an agreement to transfer the remaining excess bond proceed from the Series 2003 A & B bonds to the City. Finance approves the expenditure and transfer of the bond proceeds to the City, listed as Item Nos. 52 and 53 on ROPS 14-15A.

Finance also notes the Agency's Cash Balance Form included amounts that were inconsistent with the actual Reserve Balance expenditures reported on the Prior Period Adjustments Form (PPA Form) for the ROPS 13-14A period. Specifically, the Cash Balance Form, Row 3, Column F, reported expenditures for ROPS 13-14A enforceable obligations as \$2,106,538 when the PPA form reported it to be \$2,944,038. Therefore, Finance adjusted the amount on the Cash Balance form to agree the PPA form amounts of \$2,944,038.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,245,135 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	5,340,996
Total RPTTF requested for administrative obligations	145,000
Total RPTTF requested for obligations	\$ 5,485,996
Total RPTTF requested for non-administrative obligations	5,340,996
<u>Denied Items</u>	
Item No. 17	(150,036)
Item No. 54	(75,000)
	(225,036)
Total RPTTF authorized for non-administrative obligations	\$ 5,115,960
Total RPTTF authorized for administrative obligations	\$ 145,000
Total RPTTF authorized for obligations	\$ 5,260,960
ROPS 13-14A prior period adjustment	(15,825)
Total RPTTF approved for distribution	\$ 5,245,135

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Fred Marsh, Controller, City of Alameda
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office