



May 16, 2014

Mr. Kerry Breen, Assistant Finance Director
City of Brentwood
150 City Park Way
Brentwood, CA 94513

Dear Mr. Breen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 8, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Brentwood Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 8, 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.

- Item Nos. 13 and 14 – City Park and Community Center Projects totaling \$2,284,604. Finance continues to deny these items. As previously stated, the public improvement agreements specific to each of these obligations between the former redevelopment agency (RDA) and the City of Brentwood (City) were entered into after the first two years of the former RDA's creation, and are not associated with the issuance of debt. As there is no evidence to support the RDA's obligation to a third-party, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. In addition, while the payee listed on the ROPS shows "various," the Agency did not provide documentation that a contract exists between the former RDA and a third party. As such, it appears that payments are being made to the City via the public improvement agreements. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless issued within two years of the RDA's creation date, or for issuance of indebtedness to third-party investors or bondholders. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. Finally, we note these items were the subject of litigation wherein the court ruled in favor of Finance and that these items are not enforceable obligations.
- Item. No. 24– Oversight Board (OB) Legal Services in the amount of \$30,000. Finance continues to reclassify this item and include it in the Agency's administrative cost

allowance. The Agency contends that because they do not control the costs of the OB's legal counsel and they are not deriving any benefit from these services, these costs should fall outside of the Agency's administrative cost allowance. However, as previously stated, Finance determined that OB legal services are not related to litigation expenses and do 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.

In addition, HSC section 34179 (c) states that the successor agency shall pay for all costs of the oversight board and may include such costs in its administrative budget. We note that although the reclassification of Item 24 increased administrative costs to \$205,331, the administrative cost allowance has not been exceeded.

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. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part as enforceable obligations or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,765,724 as summarized on the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	2,375,334
Total RPTTF requested for administrative obligations	197,831
Total RPTTF requested for obligations	\$ 2,573,165
Total RPTTF requested for non-administrative obligations	2,375,334
<u>Denied Items</u>	
Item No. 13	(705,000)
Item No. 14	(95,000)
	(800,000)
<u>Reclassified Item</u>	
Item No. 24	(7,500)
	(7,500)
Total RPTTF for non-administrative obligations	1,567,834
Total RPTTF requested for administrative obligations	197,831
<u>Reclassified Item</u>	
Item No. 24	7,500
	7,500
Total RPTTF authorized for administrative obligations	\$ 205,331
Total RPTTF authorized for obligations	\$ 1,773,165
ROPS 13-14A prior period adjustment	(7,441)
Total RPTTF approved for distribution	\$ 1,765,724

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.

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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: Ms. Michelle Hamblin, Business Services Manager, City of Brentwood
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office