



April 9, 2014

Ms. Rose Zimmerman, City Attorney  
City of Daly City  
333 - 90th Street  
Daly City, CA 94015

Dear Ms. Zimmerman:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Daly City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 does not qualify as an enforceable obligation for the reasons specified:

Item No. 18 – Property Disposition Costs is partially denied in the amount of \$7,588. The Agency requests Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$25,000. During our review, the Agency was able to substantiate estimated payments to Kosmont Companies (Kosmont) for costs associated with the Long-Range Property Management Plan. However, the contract with Kosmont states payments shall not exceed \$25,000. The Agency expended \$7,588 for this item during the ROPS 13-14A period, leaving a remaining balance of \$17,412 (\$25,000 - \$7,588). As such, approving for a similar amount for expenditure during the ROPS 14-15A period was deemed to be duplicative. Therefore, this item is partially denied in the amount of \$7,588 (\$25,000 - \$17,412).

In addition, Finance noted the following during our review:

- On the ROPS 13-14A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:
  - Item No. 16 – Property Maintenance from Other Funds in the amount of \$6,370
  - Item No. 18 – Property Disposition Costs from RPTTF in the amount of \$7,588. The Agency self-reported expenditures from RPTTF. However, during our review of the Agency's financial records, it was determined that these expenditures came from Other Funds in the amount of \$7,588.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Other Funds were previously expended, the increase in authorization is for informational purposes only and does not affect your ROPS 14-15A expenditure ability.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records displaying available Other Funds totaling \$61,680 as of December 31, 2013.

Therefore, with the Agency's prior concurrence, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

Item No. 18 – Property Disposition Costs in the amount of \$17,412. The Agency requests \$25,000 of RPTTF for this obligation. However, \$7,588 is not an enforceable obligation for the ROPS 14-15A period, as detailed on page one. The remaining \$17,412 is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues. Therefore, Finance is reclassifying this item to Other Funds in the amount of \$17,412.

Finance only reclassified \$17,412 during the ROPS 14-15A period. Therefore, \$44,268 (\$61,680 - \$17,412) should be available for ROPS 14-15B expenditure. In addition, the Agency's financial records display annual revenue associated with the Agency's properties of approximately \$60,000. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to requesting RPTTF for payment of enforceable obligations. Therefore, the Agency should request the use of all available Other Funds prior to requesting RPTTF in ROPS 14-15B.

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.

Except for the item denied in part as an enforceable obligation or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$125,000 as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	25,000
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 150,000</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>25,000</b>
<u>Denied Item</u>	
Item No. 18	(7,588)
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 18	(17,412)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>0</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 125,000</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 125,000</b>

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

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

Absent a Meet and Confer, 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Lawrence Chiu, Director of Finance & Administrative Services, City of Daly City  
Mr. Bob Adler, Auditor-Controller, San Mateo County  
California State Controller's Office