



May 16, 2014

Ms. Kelly McAdoo, Assistant City Manager
City of Hayward
777 B Street
Hayward, CA 94541

Dear Ms. McAdoo:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hayward Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 15, 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 May 1, 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 items being disputed.

- Item No. 64 – Housing Authority Administrative Cost Allowance in the amount of \$150,000. 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 redevelopment agency of the City of Hayward (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 the Authority, as a separate legal entity from the City, did retain the housing functions 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. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the

Authority as a component unit of the City and states that the City is financially accountable for the component units.

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 \$150,000 of housing entity administrative allowance.

- During our initial review, which may have included obtaining financial records, Finance initially determined the Agency possessed funds that should be used prior to requesting funds from the Redevelopment Property Tax Trust Fund (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 report of cash balances initially provided by the Agency displayed the Agency had additional Reserve Balances on hand in the amount of \$1,751,970 and Other Funds in the amount of \$347,589.

During the Meet and Confer process, the Agency provided an oversight board-approved revised ROPS to Finance. Specifically, on the revised ROPS, the Agency added funding for Item Nos. 14, 16 through 18, 20, 35, 38, 40, 41, 53, 58, and 59 totaling \$1,635,098 from Reserve Balances as no funding was requested for these items on the March 3, 2014 submitted ROPS. However, pursuant to HSC section 34179 (h), all actions taken by the oversight board shall be provided to Finance by electronic means and in a manner of Finance's choosing. The oversight board action taken on April 28, 2014 to approve a revised ROPS was not submitted to Finance in accordance with HSC section 34179 (h). Additionally, per HSC section 34177 (m), the ROPS 14-15A was due no later than March 3, 2014, and in compliance with that section the original ROPS was submitted. As such, we will not be accepting any revised ROPS, and will be making our determination based on the ROPS that was received on March 3, 2014. To the extent additional items requested by the Agency are valid enforceable obligations, they may be listed on a future ROPS submittal (e.g. January through June 2015 ROPS is due to Finance on October 3, 2015) to allow Finance to conduct its review.

In addition, Finance initially reclassified specific items to Reserve balances and Other Funds. The Agency did acknowledge that there were Reserve Balances and Other Funds available, but they noted that the amounts requested for the items listed for funding on the March 3, 2014 submitted ROPS from Reserve Balances, Other Funds, and RPTTF needed to be revised. Finance accepts the following revisions, requested by the Agency, to the funding sources and amounts to be funded for items listed on the original ROPS:

- Item No. 1 – 2004 Tax Allocation Bonds (TAB) in the amount of \$851,791. Finance is no longer reclassifies \$271,567 to Reserve Balances and \$347,589 to Other Funds. The full \$851,791 is eligible for RPTTF funding.
- Item No. 6 – 2006 TAB in the amount of \$275,003. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.

- Item No. 15 – Foothill Façade Loan Project Delivery Costs in the amount of \$6,051. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.
- Item No. 23 – Contract for Security Alarm in the amount of \$1,066. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.
- Item No. 25 – Contract for Elevator Maintenance and Repair in the amount of \$3,900. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.
- Item No. 27 – Contract for Sweeping in the amount of \$5,200. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.
- Item Nos. 29 and 31– Utilities in the amount of \$13,676. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.
- Item No. 36 – Project Delivery Costs Burbank Residual Site in the amount of \$3,804. Finance is reclassifying the full amount requested to Other Funds instead of Reserve Balances.
- Item No. 37 – Property Disposition Costs former Agency-held properties in the amount \$85,348. Finance is no longer reclassifying the full amount requested to Reserve Balances. Finance is reclassifying \$38,889 to Reserve Balances and the remaining \$46,459 will be funded from the RPTTF.
- Item No. 49 – SERAF Repayment in the amount of \$1,069,855. Finance is no longer reclassifying the full amount requested to Reserve Balances. Finance is reclassifying \$720,000 to Reserve Balances and the remaining \$349,855 will be funded from the RPTTF.
- Item No. 50 – Contract for Environmental Remediation in the amount of \$9,000. Finance is no longer reclassifying the full amount requested to Reserve Balances. The full \$9,000 is eligible for RPTTF funding. Additionally, the Agency requested the item be increased by an additional \$14,000 to \$23,000. Finance is increasing this item by \$14,000 for a total of \$23,000 to be funded by the RPTTF.
- Item No. 60 – 2004 TAB Administrative Fee fiscal year 2014-15 in the amount of \$2,000. Finance is no longer reclassifying the full amount requested to Reserve Balances. The full \$2,000 is eligible for RPTTF funding.
- Item No. 61 – 2004 TAB Administrative Fee fiscal year 2014-15 in the amount of \$3,000. Finance is no longer reclassifying the full amount requested to Reserve Balances. The full \$3,000 is eligible for RPTTF funding.
- Item No. 62 – 2006 TAB Administrative Fee fiscal year 2014-15 in the amount of \$1,800. Finance is no longer reclassifying the full amount requested to Reserve Balances. The full \$1,800 is eligible for RPTTF funding.
- Item No. 63 – 2006 TAB Administrative Fee fiscal year 2013-14 in the amount of \$700. Finance is no longer reclassifying the full amount requested to Reserve Balances. The full \$700 is eligible for RPTTF funding.

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 item denied in whole or in part as enforceable obligations and for items that have 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 \$1,317,415 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	2,496,194
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,621,194
Total RPTTF requested for non-administrative obligations	2,496,194
<u>Denied Item</u>	
Item No. 64	(150,000)
	(150,000)
Total RPTTF for non-administrative obligations	2,346,194
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 6	(275,003)
Item No. 15	(6,051)
Item No. 23	(1,066)
Item No. 25	(3,900)
Item No. 27	(5,200)
Item No. 29	(13,260)
Item No. 31	(416)
Item No. 36	(3,804)
Item No. 37	(38,889)
Item No. 49	(720,000)
	(1,067,589)
Total RPTTF authorized for non-administrative obligations	\$ 1,278,605
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,403,605
ROPS 13-14A prior period adjustment	(86,190)
Total RPTTF approved for distribution	\$ 1,317,415

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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Tracy Vesely, Finance Director, City of Hayward
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office