DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 11, 2014

Ms. Sarah T Schlenk, Agency Administrative Manager
City of Oakland
250 Frank H. Ogawa Plaza
Suite 3315
Oakland, CA 94612

Dear Ms. Schlenk:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oakland 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 do not qualify as enforceable obligations for the reasons specified:

- Item No. 426 – Western Oakland Loan repayment in the amount of $903,511. The Agency received a Finding of Completion on May 29, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

  According to the County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are $33,622,750 and $11,157,356, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is $0. Therefore, the $903,511 loan repayment requested is not eligible for funding on this ROPS. The Agency may be eligible for funding beginning ROPS 15-16A.

- Claimed administrative costs exceed the allowance by $1,692,396.
  HSC section 34171 (b) limits the fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater.

Although $2,407,215 is claimed for administrative cost, only $714,819 is available pursuant to the cap. Therefore, $1,692,396 of excess administrative cost is not allowed

Based on our review of the Prior Period Adjustment Form, we noted the following:

- The Agency reported the total outstanding obligation amounts as authorized amounts for Bond Proceeds, Reserve Balances and Other funding source for the ROPS 13-14A period. Pursuant to HSC section 34186 (a), Agencies are required to report the difference between their actual available funding and their actual expenditure. Therefore, on the subsequent ROPS period, the Agency should report the authorized six-month totals.

- On the ROPS 13-14A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

    - Bond Proceeds totaling $143,721 – Item No. 122 for $17,913, Item No. 137 for $15,500, Item No. 155 for $50,000, Item No. 165 for $6,000, and Item No. 173 for $54,308.

    - Reserve Balances totaling $214,611 – Item No. 340 for $30,880, Item No. 344 for $147,891, and Item No. 355 for $35,840.

    - Other Funding totaling $4,303,194 – Item No. 25 for $4,874,158 and Item No. 26 for $2,129,146.

  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 should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.

  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.

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 items denied in whole or in part as enforceable obligations, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $23,569,612 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		24,730,819
Total RPTTF requested for administrative obligations		2,407,215
Total RPTTF requested for obligations	**$**	**27,138,034**
Total RPTTF requested for non-administrative obligations		**24,730,819**
Denied Item		
Item No. 426		(903,511)
Total RPTTF authorized for non-administrative obligations	**$**	**23,827,308**
Total RPTTF requested for administrative obligations		**2,407,215**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(1,692,396)
Total RPTTF authorized for administrative obligations	**$**	**714,819**
Total RPTTF authorized for obligations	**$**	**24,542,127**
ROPS 13-14A prior period adjustment (PPA)		(972,515)
Total RPTTF approved for distribution	**$**	**23,569,612**

Administrative Cost Cap Calculation		
Total RPTTF authorized for non-administrative obligations		23,827,308
Percent allowed pursuant to HSC section 34171 (b)		3%
Total RPTTF allowable for administrative obligations		**714,819**
Total RPTTF administrative obligations after Finance adjustments		2,407,215
Administrative costs in excess of the cap	**$**	**(1,692,396)**

Please refer to the ROPS 14-15A schedule that was 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Patrick Lane, Redevelopment Program Manager, City of Oakland
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office