



REVISED

April 25, 2014

Mr. Robert Stewart, Redevelopment Administrator
City of Pleasant Hill
100 Gregory Lane
Pleasant Hill, CA 94523

Dear Mr. Stewart:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pleasant Hill Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 11, 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. 1 – Pleasant Hill Redevelopment Agency (RDA) Tax Allocation Refunding Bonds debt service payment in the amount of \$340,585. The Agency omitted the request to spend Reserve Balances previously approved for the ROPS period January through June 2014. As a result, Finance included Reserve Balances as a funding source to this item. Additionally, the Agency requested \$340,585 from the Redevelopment Property Tax Trust Fund (RPTTF) to pay debt service, various fees, and staff costs; however, the total amount needed to satisfy the debt service payment for this period is only \$317,379; the difference, \$23,206 (\$340,585 - \$317,379) is discussed as follows:

The Agency included various fees (\$6,000) and staff costs (\$10,956) totaling \$16,956. However, although enforceable, staff costs in the amount of \$10,956 are considered general administrative costs and have been reclassified; these costs do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC 34171 (b). Therefore, the surplus, \$6,250 (\$23,206 - \$16,956) is not eligible for RPTTF funding.

- Item No. 2 – Pleasant Hill Downtown CFD #1 Bonds debt service payment in the amount of \$243,712. The Agency requested \$243,712 from RPTTF to pay debt service, various fees, and staff costs. Although enforceable, staff costs in the amount of \$10,924 for this item are considered general administrative costs and have been reclassified. Further,

these costs do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC 34171 (b). Therefore, Finance approves RPTTF funding of \$232,788 for this item.

- Item No. 3 – Downtown Pleasant Hill in the amount of \$232,158. It is our understanding the Agency requested funding for this item in error. Therefore, this item is not eligible for RPTTF funding.
- Item Nos. 4 through 7, and 16 – Various obligations totaling \$676,577. In addition to the amounts needed to satisfy the obligations, the Agency also included staff costs totaling \$17,782. Although enforceable, staff costs are considered general administrative costs and have been reclassified. Further, these costs do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC 34171 (b).
- Item No. 17 – CC Central Fire District Litigation Settlement Agreement in the amount of \$2,075,389. It is our understanding the Agency requested funding for this item in error. Therefore, this item is not eligible for RPTTF funding.

Finance notes several of the items listed on the ROPS contains more than one contract and more than one payee. On future ROPS, the Agency should list each contract as a separate obligation with its own item number and list them in sequential order. Pursuant to HSC 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance.

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 item:
 - Item No. 1 – Pleasant Hill RDA Tax Allocation Refunding Bonds in the amount of \$3,065.

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.

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 that displayed available Reserve Balances totaling \$132,328.

Therefore, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 2 – Pleasant Hill Downtown CFD #1 Bonds debt service payment in the amount of \$243,712. The Agency requested \$243,712 from RPTTF, adjusted by \$10,924 to \$232,788 as discussed above. However, Finance is reclassifying \$232,788 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$132,328 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$100,460 and the use of Reserve Balances in the amount of \$132,328, totaling \$232,788.

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 the items denied in whole or in part as enforceable obligations or for items that have 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,176,523 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,598,581
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,723,581
Total RPTTF requested for non-administrative obligations	1,598,581
<u>Denied Items</u>	
Item No. 1	(17,206)
Item No. 2	(10,924)
Item No. 3	(232,158)
Item No. 4	(5,090)
Item No. 5	(1,516)
Item No. 6	(4,566)
Item No. 7	(4,610)
Item No. 16	(2,000)
Item No. 17	(76,322)
	<u>(354,392)</u>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 2	(132,328)
Total RPTTF authorized for non-administrative obligations	\$ 1,111,861
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 1	10,956
Item No. 2	10,924
Item No. 4	5,090
Item No. 5	1,516
Item No. 6	4,566
Item No. 7	4,610
Item No. 16	2,000
	<u>39,662</u>
Total RPTTF authorized for administrative obligations	\$ 164,662
Total RPTTF authorized for obligations	\$ 1,276,523
Self-reported ROPS 13-14A prior period adjustment (PPA)	(100,000)
Total RPTTF approved for distribution	\$ 1,176,523

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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Mary McCarthy, Finance Manager, City of Pleasant Hill
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office