



April 11, 2014

Mr. Patrick Lynch, Director
City of Richmond
440 Civic Center Plaza
Richmond, CA 94804

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Richmond 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. 13 – Section 108 Loan Housing in the amount of \$271,111 is not an obligation of the Agency. It is our understanding this agreement entered into on July 25, 2005 is between the City of Richmond (City) and the Secretary of Housing and Urban Development, and the former redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 16 and 37 – Employee and Project Monitoring costs totaling \$3,187,623. The Agency provided insufficient documentation to support the amounts claimed. The Agency provided an employee costs estimate breakdown for various projects. However, the Agency is also requesting funding for these projects, including Other Funds; it appears the Agency is charging all of the project management costs to RPTTF. To the extent the Agency can provide suitable documentation to support the requested funding by fund source, the Agency may be able to obtain funding on a future ROPS.
- Claimed administrative costs exceed the allowance by \$35,789. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$310,112 is claimed for administrative cost, only \$274,323 is available pursuant to the cap. Therefore, \$35,789 of excess administrative cost is not allowed.

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, 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 \$9,418,416 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	10,337,065
Total RPTTF requested for administrative obligations	310,112
Total RPTTF requested for obligations	\$ 10,647,177
Total RPTTF requested for non-administrative obligations	10,337,065
<u>Denied Items</u>	
Item No. 13	(271,777)
Item No. 16	(871,195)
Item No. 37	(50,000)
	(1,192,972)
Total RPTTF authorized for non-administrative obligations	\$ 9,144,093
Total RPTTF requested for administrative obligations	310,112
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(35,789)
Total RPTTF authorized for administrative obligations	\$ 274,323
Total RPTTF authorized for obligations	\$ 9,418,416
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 9,418,416

Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations	9,144,093
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	274,323
Total RPTTF administrative obligations after Finance adjustments	274,323
Administrative costs in excess of the cap	\$ 35,789

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15B.

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. Lizeht Zepeda, Operations Specialist II, City of Richmond
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office