



May 16, 2014

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

Dear Mr. Lynch:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2014. 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 Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 11, 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 April 30, 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. 13 – Section 108 Loan Housing in the amount of \$271,111 is not an obligation of the Agency. Finance continues to deny this item. Finance denied this item because it is our understanding this Loan Agreement entered into on July 25, 2005 is between the City of Richmond (City) and the Secretary of Housing and Urban Development (HUD), and the former Redevelopment Agency (RDA) is not a party to the contract. During the Meet and Confer process, the Agency contended that while the agreement is between the City and HUD, it specifically contains a pledge of tax increment revenues from the former RDA and should be an enforceable obligation of the Agency. However, the Agency did not provide a resolution from the former RDA's Board or an agreement between the City and former RDA entered into at the time of the Loan Agreement that pledges the use of the former RDA's tax increment revenues to repay the City's loan. Section 15 of the Loan Agreement references an Attachment 3 – Pledged Tax Increment Revenues, which the Agency indicated is the repayment schedule, and a Pledge, Assignment, and Security Agreement, which the Agency did not provide.

The Agency provided a Funds Administration Agreement dated February 7, 2006, between the City and the former RDA, which states that "for ease of administration, the parties desire that the [former RDA] administer the Funds on behalf of the City." However, this agreement only approves the transfer of funds to the former RDA to administer and use on behalf of the City; it was not entered into at the time of the Loan

Agreement nor does it pledge the former RDA's tax increment revenues to repay the City's loan. Therefore, this line item is not an enforceable obligation of the Agency 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. Finance no longer denies these items. Finance initially denied these items as the Agency provided insufficient documentation to support the amounts claimed. During the Meet and Confer process, the Agency provided cost estimate breakdowns for each line item as they relate to the various projects listed on the ROPS. Therefore, these items are enforceable obligations and eligible for RPTTF funding.

In addition, per Finance's letter dated April 11, 2014, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- Claimed administrative costs exceed the allowance by \$8,153. 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 \$301,959 is available pursuant to the cap. Therefore, \$8,153 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$10,367,247 as summarized in the following table:

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 Item</u>	
Item No. 13	(271,777)
	(271,777)
Total RPTTF authorized for non-administrative obligations	\$ 10,065,288
Total RPTTF requested for administrative obligations	310,112
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(8,153)
Total RPTTF authorized for administrative obligations	\$ 301,959
Total RPTTF authorized for obligations	\$ 10,367,247
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 10,367,247

Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations	10,065,288
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	301,959
Total RPTTF requested for administrative obligations	310,112
Administrative costs in excess of the cap	\$ (8,153)

Pursuant to HSC section 34177 (l) (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>

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

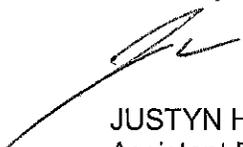
34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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