



May 16, 2014

Mr. Jeff Kay, Business Development Manager  
City of San Leandro  
835 East 14th Street  
San Leandro, CA 94577

Dear Mr. Kay:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Leandro 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 10, 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 22, 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 item being disputed.

- Item No. 22 – Regency Centers-Security Agreement in the amount of \$2,400,000. We note that no funds were requested for ROPS 14-15A. However, Finance continues to deny this item at this time. The June 21, 2004 contract for Enhanced Police Services (Agreement) between the City of San Leandro (City), the former redevelopment agency (RDA), and Regency Centers, L.P. (Operator) has an annual term and automatically continues to the next fiscal year on July 1<sup>st</sup> until any party terminates it. However, pursuant to Section 16 of the Agreement, the Agency's only obligation under the Agreement is triggered if the Agreement is terminated prior to June 30<sup>th</sup> of the current year. In addition, while Attachment B of the Agreement shows the Agency will contribute funds, the amount is specific to fiscal year 2004-2005 and references a December 9, 1981 contract to which the Agency is not a party. Therefore, although no funding has been requested on ROPS 14-15A, Finance has determined this item is not currently a financial obligation of the Agency. To the extent the Agency's provisions under the Agreement are triggered, the Agency may relist this item on a future ROPS for further consideration.

In addition, per Finance's letter dated April 10, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 17 – City of San Leandro-Property Management in the amount of \$150,000. The Agency was not able to provide documents to support the amount claimed such as

oversight board authorization or contracts. Therefore, this item is not eligible for RPTTF at this time.

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 \$29,842 and Other Funds of \$102,218.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and Other Funds in the amounts specified below:

- Item No. 39 – King Ground Lease Settlement in the amount of \$5,750,000. The Agency requests \$1,000,000 of RPTTF; however, Finance is partially reclassifying \$29,842 to Reserve Balances and \$102,218 to Other Funds.

Finance also made an adjustment to the item number sequence on ROPS 14-15A for consistency with prior ROPS. Items which do not require funding any longer should be classified as "retired" but retain the number assigned to the obligation on the ROPS. Furthermore, item numbers may only be used once and new obligations of the Agency should be listed with the next available sequential number. Pursuant to HSC section 34177 (a) (2) documents are to be provided in a manner of Finance's choosing; therefore, the obligations on ROPS 14-15A should be reported in the following sequence:

- Item No. 1 – 2001 Certificates of Participation. The Agency issued 2013 Refunding Bonds to retire this obligation, therefore, this item should now be listed as retired.
- Item No. 44 – 2013 Lease Revenue Bonds. The Agency reported this obligation for the first time on ROPS 14-15A, therefore, the next sequential number available is No. 44 should be used to list the 2013 Lease Revenue Bonds obligation.

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 or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$3,702,119 as summarized in the following table:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	4,050,391
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 4,175,391</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>4,050,391</b>
<u>Denied Items</u>	
Item No. 17	(50,000)
	(50,000)
<b>Total RPTTF for non-administrative obligations</b>	<b>4,000,391</b>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 39	(132,060)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 3,868,331</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 3,993,331</b>
ROPS 13-14A prior period adjustment	(291,212)
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,702,119</b>

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.

Mr. Jeff Kay  
May 16, 2014  
Page 4

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Cynthia Battenberg, Community Development Director, City of San Leandro  
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County  
California State Controller's Office