



May 16, 2014

Mr. Bradley Ward, Finance Advisor
City of San Pablo
13831 San Pablo Avenue
San Pablo, CA 94806

Dear Mr. Ward:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 8, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of San Pablo Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 26, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 8, 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 items being disputed.

- Item No. 18 – Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment in the amount of \$106,618. Finance no longer denies this item. Finance denied the item as HSC section 34191.4(b) (2) (A) provides the repayment formula for SERAF loan repayments. During the Meet and Confer process, the Agency contended the item is an enforceable obligation because it is not a loan agreement between the former redevelopment agency (RDA) and the City of San Pablo (City); rather, it is a loan agreement between the former RDA and the State Department of Finance with payments to be made to the Contra Costa County Auditor Controller. Therefore, the item is an enforceable obligation per HSC section 34171 (d) (1) (C) and the repayment formula does not apply.
- Item No. 31 – City Loan in the amount of \$292,035, funded by Reserve Balances. Finance no longer denies this item. HSC section 34173 (h) provides that the city that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative costs. Finance initially denied this item because the loan agreement provided does not specify the loan amount or the ROPS period to which the loan applies. During the Meet and Confer process, the Agency contended that a loan agreement was approved in August 2012 to cover all loans to be made with the specific loan amounts being the subject of separate approvals with each individual ROPS. This amount was specifically approved in the Oversight Board action related to the approval

of the ROPS in the amount specified for the loans made for the July through December 2012 (ROPS II) and January through June 2013 (ROPS III) periods. The Agency also provided a breakdown of the specific costs incurred that were paid for by the City along with supporting documents. Therefore, this item is eligible for Reserve Balances funding.

- Item No. 32 – City Loans in the amount of \$157,459, funded by Other Funds. Finance no longer denies this item. HSC section 34173 (h) provides that the city that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative costs. An enforceable obligation shall be deemed to be created for the repayment of those loans. Finance initially denied this item because the Oversight Board has not approved a loan agreement with regards to this loan. During the Meet and Confer process, the Agency contended that a loan agreement was approved in August 2012 to cover all loans to be made with the specific loan amounts being the subject of separate approvals with each individual ROPS. This amount was specifically approved in the Oversight Board action related to the approval of the ROPS in the amount specified for the loan made for the July through December 2013 (ROPS 13-14A) period. The Agency also provided a breakdown of the specific costs incurred that were paid for by the City along with supporting documents. Therefore, this item is an enforceable obligation and is eligible for Other Funds.
- Item No. 33 – City Loan in the amount of \$220,060. Finance continues to deny this item at this time. HSC section 34173 (h) provides that the city that authorized the creation of a RDA may loan or grant funds to a successor agency for administrative costs. An enforceable obligation shall be deemed to be created for the repayment of those loans. Finance initially denied this item because the Oversight Board has not approved a loan agreement with regards to this loan. During the Meet and Confer process, the Agency contended that a loan agreement was approved in August 2012 to cover all loans to be made with the specific loan amounts being the subject of separate approvals with each individual ROPS. This item covers the estimated loan amount for the January through June 2014 (ROPS 13-14B) period. HSC section 34171 (h) states that the receipt and use of these funds shall be reflected on the ROPS. However, since the ROPS 13-14B period is still in progress, Finance is not able to determine the actual amount spent on enforceable obligations that should be repaid. Therefore, this item is currently not an enforceable obligation and is not eligible for RPTTF funding at this time.

In addition, per Finance's letter dated April 8, 2014, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- Item No. 36 – Property Maintenance in the amount of \$8,333. The Agency erred in calculating the required funding in the amount of \$8,333. The Agency requested \$37,000, but only \$28,667 is required for the ROPS 14-15A period. Therefore, with the Agency's agreement, the excess \$8,333 (\$37,000-\$28,667) is not eligible for Reserve Balances funding on this ROPS.

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 zero as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	326,678
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations	\$ 326,678
Total RPTTF requested for non-administrative obligations	326,678
<u>Denied Items</u>	
Item No. 33	(220,060)
	(220,060)
Total RPTTF authorized for non-administrative obligations	\$106,618
Total RPTTF authorized for administrative obligations	\$0
Total RPTTF authorized for obligations	\$106,618
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$106,618

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 cash 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 cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash 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: Mr. Kelsey Worthy, Assistant City Manager, City of San Pablo
Mr. Bob Campbell, Auditor-Controller, Contra Costa County
California State Controller's Office