



May 16, 2014

Mr. Mark Evanoff, Redevelopment Manager
Union City
34009 Alvarado-Niles Road
Union City, CA 94587

Dear Mr. Evanoff:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 20, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Union City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 4, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on March 20, 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 2, 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 23 – Intermodal Station District projects legal services totaling \$400,000 funded from 2011 bond proceeds. Finance continues to deny this item. While the Agency received a Finding of Completion on April 18, 2013, HSC section 34191.4 (c) only allows for bond proceeds derived from bonds issued on or before December 31, 2010 to be used for the purposes for which the bonds were sold. The Agency is requesting the use of proceeds derived from bonds issued after December 31, 2010. We note that the Agency submitted an Oversight Board resolution on March 26, 2014 to change the funding source for this item to Redevelopment Property Tax Trust Fund (RPTTF); however, Finance returned the Oversight Board action for reconsideration via our letter to the Agency dated May 6, 2014. This denial was based on the fact that the Intermodal Station is not an enforceable obligation; therefore, legal fees associated with the item are also not an enforceable obligation.

During the meet and confer the Agency claimed this amount is for litigation costs associated with the Station District projects. However, our review indicates that the Oversight Board resolution only changed the funding source and did not change the line item detail, nor did it indicate that these costs are associated with litigation. Therefore, for the reasons stated above, this item is not an enforceable obligation pursuant to HSC section 34171 (d) and is not payable from RPTTF or 2011 bond proceeds.

- Item Nos. 8, 19, 25, and 26 – East-West Connector and Intermodal Station District in the amount of \$19,600,000 of bond proceeds. Finance continues to deny these items and notes that these items are the subject of ongoing litigation. Our review indicates that the Cooperative Agreement executed for the East-West Connector project is not an enforceable obligation per HSC section 34171 (d) (2), which states that enforceable obligation does not include any agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA. In addition, we note that the Agency is requesting the use of bond proceeds from bonds issued after December 31, 2010. However, HSC section 34191.4 (c) (2) (B) requires the proceeds from bonds issued after December 31, 2010 to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

In addition, per Finance's letter dated March 20, 2014, we maintain our determination on the following items not contested by the Agency during the Meet and Confer:

- Item No. 71 – Waste Consolidation Area in the amount of \$50,000 of bond proceeds. During the review, the Agency advised Finance to withdraw its funding request for this item from the ROPS 14-15A period. Therefore, no funding is approved at this time.

Review of ROPS 14-15A incorporated action taken by the Agency's Oversight Board (OB) Resolution 16-2014, which approved an agreement between the Agency and the City of Union City (City) for the expenditure of Series 2010 housing bond proceeds. Finance approves the OB action and the transfer of the bond proceeds to the City, as listed for Item No. 70 on ROPS 14-15A.

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, 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 \$6,557,179 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	6,378,498
Total RPTTF requested for administrative obligations	191,355
Total RPTTF requested for obligations	\$ 6,569,853
Total RPTTF authorized for non-administrative obligations	6,378,498
Total RPTTF authorized for administrative obligations	191,355
Total RPTTF authorized for obligations	\$ 6,569,853
ROPS 13-14A prior period adjustment	(12,674)
Total RPTTF approved for distribution	\$ 6,557,179

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Tony Acosta, Deputy City Manager, Union City
Ms. Carol S Orth, Tax Analysis, Division Chief, Alameda County
California State Controller's Office