DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 3, 2012

Donald W. McVey, Director of Finance and Administrative Services
Daly City
333 90th Street
Daly City, Ca 94015

Dear Mr. McVey:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Daly City Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 23, 2012 for the periods of January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 Period

- Page 1, item 1 and page 2, item 1 — Agreements between the City and the Agency totaling $26.7 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. No supporting documentation was submitted indicating these debts resulted from obligations within the first two years of the date of the creation of the RDA.

- Administrative costs claimed exceed allowance by $85,011 (see calculation below). HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. Five percent of the property tax allocated is $6,368; therefore, the administrative cost allowance is $250,000. The following items were considered to be administrative costs:

Item	Page	Project Name/Debt Obligation	Amount
2	1	Admin Fee	$125,000
4	1	Employee Costs	4,370
7	1	Operations	19
8	1	Rental Property Utilities	2,378
9	1	Rental Property Utilities	172
10	1	Independent Audits	5,328
11	1	Legal Services	654
12	1	Rental Property Services	350
13	1	Operations	25,018
14	1	Operations	25
15	1	Operations	140
16	1	Operations	721
17	1	Operations	1,312
18	1	Operations	39
19	1	Operations	36
20	1	Operations	2
21	1	General Liability Insurance	2,004
2	2	Admin Fee	125,000
3	2	Employee Costs	20,780
6	2	Independent Audits	5,327
7	2	Operations	15,298
8	2	Operations	36
9	2	General Liability Insurance	1,002
		Total Admin Costs	$335,011
		Admin Allowance (Greater of 5% or $250,000)	250,000
		Total Disallowed Administrative Cost	$85,011

<u>July through December 2012 Period</u>

- Page 1, item 1 and page 2, item 1 — Agreements between the City and the Agency totaling $26.8 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. No supporting documentation was submitted indicating these debts resulted from obligations within the first two years of the date of the creation of the RDA.

- Administrative costs claimed exceed allowance by $3,766 (see calculation below). HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. Three percent of the property tax allocated to is $3,616; therefore, the administrative cost allowance is $250,000. The following items were considered to be administrative costs:

Item #	Page	Project Name/Debt Obligation	Amount
2	1	Admin Fee	$125,000
6	1	Rental Property Utilities	$1,800
7	1	Rental Property Utilities	$172
8	1	General Liability Insurance	$1,194
2	2	Admin Fee	$125,000
3	2	General Liability Insurance	$600
		Total Administrative Costs	$253,766
	Less Admin Allowance (Greater of 3% or $250,000)		250,000
	Total Disallowed Administrative Cost		$3,766

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,

Mark Hill

MARK HILL
Program Budget Manager

cc: Mr. Kenchan Charan, Deputy Controller, San Mateo County
Mr. Bob Adler, Auditor/Controller, San Mateo County
Ms. Shirley Tourel, Senior Internal Auditor, San Mateo County