



Transmitted via e-mail

April 9, 2020

Kelly McAdoo, City Manager  
City of Hayward  
777 B Street  
4th Floor- CMO  
Hayward, CA 94541

### **2020-21 Annual Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Hayward Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 29, 2020. Finance has completed its review of the ROPS 20-21.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 64 – Housing Authority Administrative Allowance in the outstanding amount of \$150,000 is not allowed. Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the Redevelopment Agency (RDA) elected not to assume the housing functions. Because the housing successor to the former RDA of the City is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City pursuant to HSC section 34167.10. Further, pursuant to HSC section 34171 (p) (1), funding for the housing entity administrative cost allowance concluded July 1, 2018. Therefore, the requested \$150,000 in Administrative Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed.
- Item No. 78– 2016 Tax Allocation Bonds debt service. The Agency requested \$3,222,450 from RPTTF in error. According to the debt service schedule provided by the Agency, the amount requested for the ROPS 20-21 period should be \$3,224,550. Therefore, to accurately reflect the correct debt service payment, Finance made an adjustment in the amount of \$2,100 to increase the total requested amount of \$3,222,450 to \$3,224,550.

- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$305,889 (\$108,857 + \$197,032) from Other Funds and Reserve Balances, available to fund enforceable obligations on the ROPSS 20-21. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funds. This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amounts specified below:
  - Item No. 48 – Reentered Repayment Agreement with City of Hayward in the amount of \$800,000 is partially reclassified. Finance is approving RPTTF in the amount of \$494,111, Other Funds in the amount of \$108,857, and Reserve Balances in the amount of \$197,032, totaling \$800,000.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in Redevelopment Property Tax Trust Fund (RPTTF) are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,795,083, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet\\_And\\_Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 20-21 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 20-21 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Todd Vermillion, Supervisor, or Mathew Rios, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Dustin Claussen, Acting Finance Director, City of Hayward  
Jason Y. Guo, Tax Analysis, Senior Supervising Auditor, Alameda County

<b>Approved RPTTF Distribution July 2020 through June 2021</b>			
	<b>ROPS A</b>	<b>ROPS B</b>	<b>ROPS 20-21 Total</b>
RPTTF Requested	\$ 2,492,275	\$ 1,667,175	\$ 4,159,450
Administrative RPTTF Requested	200,000	200,000	400,000
<b>Total RPTTF Requested</b>	<b>2,692,275</b>	<b>1,867,175</b>	<b>4,559,450</b>
<b>RPTTF Requested</b>	<b>2,492,275</b>	<b>1,667,175</b>	<b>4,159,450</b>
<u>Adjustments</u>			
Item No. 48	(305,889)	0	(305,889)
Item No. 78	0	2,100	2,100
	(305,889)	2,100	(303,789)
<b>RPTTF Authorized</b>	<b>2,186,386</b>	<b>1,669,275</b>	<b>3,855,661</b>
<b>Administrative RPTTF Requested</b>	<b>200,000</b>	<b>200,000</b>	<b>400,000</b>
<u>Adjustment</u>			
Item No. 64	(75,000)	(75,000)	(150,000)
<b>Adjusted Administrative RPTTF</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
<b>Administrative RPTTF Authorized</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
ROPS 17-18 prior period adjustment (PPA)	(310,578)	0	(310,578)
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 2,000,808</b>	<b>\$ 1,794,275</b>	<b>\$ 3,795,083</b>