



May 17, 2017

Ms. Bree Mawhorter, Deputy Director of Finance and Administration
City and County of San Francisco
One South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Ms. Mawhorter:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City and County of San Francisco Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 31, 2017. Subsequently, the Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on May 2, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determination being disputed:

- Item No. 373 – Asset Management and Disposition Costs requested from Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$1,114,302 and Other Funds in the amount of \$200,000. Finance continues to partially allow funding for this item. Finance originally disallowed \$689,106 in RPTTF funding because the amount related to costs for properties approved to transfer for governmental use purposes.

During the Meet and Confer, the Agency requested Finance to approve \$271,071 out of the \$689,106 disallowed in RPTTF for costs related to sixteen properties. Of the sixteen properties identified, eight properties were approved in the Agency's Long-Range Property Management Plan (LRPMP) for transfer to the City and County of San Francisco (City and County) for continued governmental use purposes, and the other eight properties were approved for disposition by sale. Based on review of documentation provided, properties approved for transfer for governmental use should immediately be transferred to the City and County. Furthermore, estimated costs for properties is excessive for the remaining six properties proposed to be sold to the adjacent or current property owner or on the open market. Finance has approved for property disposition costs the total amount of \$625,196, which is sufficient to cover costs for these six remaining proposed property sales. Therefore, out of the \$1,114,302 in RPTTF and \$200,000 in Other Funds requested, disposition costs in the amount of \$689,106 is ineligible for RPTTF funding.

In addition, per Finance’s letter dated April 13, 2017, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 1 – Agency Administrative Operations requested from Administrative RPTTF in the amount of \$4,093,429 is partially allowed. HSC section 34171 (b) (3) limits the Agency’s ROPS 17-18 Administrative Cost Allowance (ACA) to three percent of RPTTF distributed in fiscal year 16-17 less RPTTF distributed for administrative costs and sponsoring entity loan repayments. Therefore, the Agency’s maximum ACA for ROPS 17-18 is \$3,591,338, as detailed in the table below:

Administrative Cost Allowance Calculation	
RPTTF Distributed for Fiscal Year 2016-17	\$ 122,702,543
Less Distributed Administrative RPTTF	(2,991,263)
Less Sponsoring Entity Loan Repayments	0
RPTTF Distributed for 2016-17 After Adjustment	119,711,280
ACA Cap for 2017-18 (3% of \$119,711,280)	3,591,338
ACA Requested for 2017-18	(4,093,429)
Excess Administrative Costs	\$ (502,091)

Although \$4,093,429 is claimed for the ACA, only \$3,591,338 is available pursuant to the ACA cap. The Agency’s excess ACA request of \$502,091 is not allowed.

- Item No. 12 – Supplemental Educational Revenue Augmentation Fund (SERAF) repayment requested from RPTTF in the amount of \$1,772,608 and with a total outstanding balance of \$14,602,203 is approved. However, the total outstanding balance listed on ROPS 17-18 is overstated.

The ROPS 17-18 total outstanding balance should be \$9,986,816 and after the ROPS 17-18 payment of \$1,772,608, the total outstanding balance on the ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) should be \$8,214,208.

Finance notes the repayment of the SERAF deferral is authorized for repayment under HSC sections 34171 (d) (1) (G) and 34176 (e) (6). The SERAF deferral was not a loan agreement between the former Redevelopment Agency (RDA) and the city and county that created the RDA. Therefore, the Agency is not authorized to accrue three percent interest on the SERAF deferral under HSC section 34191.4 (b) (3).

- Item No. 382 – Hotel Occupancy Tax Refunding Bonds (Hotel Bonds) requested from RPTTF in the amount of \$4,054,875 and Other Funds in the amount of \$4,829,750 is partially allowed for Other Funds in the amount of \$4,829,750. The Hotel Bonds are payable and secured by Hotel Tax Revenues (i.e., Other Funds), not RPTTF. The Agency clarified the RPTTF request of \$4,054,875 is not needed to meet the debt service obligation. Therefore, RPTTF in the amount of \$4,054,875 is not allowed.
- Item Nos. 408, 409, and 410 – 2017 Bonds are adjusted from \$20,805,582 to \$12,950,995 in order to match the final debt service schedules. The Agency was approved to issue 2017 Bonds via Finance’s approval of Oversight Board Resolution Nos. 11-2016 and 12-2016. At the time the Agency prepared the ROPS 17-18, the 2017 Bonds had not been issued. Therefore, the Agency estimated

the debt service for the 2017 Bonds on ROPS 17-18. During Finance’s review, the 2017 Bonds were issued and the Agency provided the final debt service schedules. Based on the actual debt service obligations for the 2017 Bonds, Finance made the following adjustments:

Item No.	Project/ Obligation Name	RPTTF Requested	RPTTF Adjustment	RPTTF Approved
408	2017A Bonds	\$11,142,514	(\$7,452,345)	\$3,690,169
409	2017B Bonds	4,191,298	(2,862,451)	1,328,847
410	2017C Bonds	5,471,770	2,460,209	7,931,979
Total		\$20,805,582	(\$7,854,587)	\$12,950,995

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency’s maximum approved RPTTF distribution for the reporting period is \$142,346,941 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance’s approved amounts. Since Finance’s determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency’s self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency’s ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

This is Finance’s final determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance’s determination letter will be posted on Finance’s website:

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

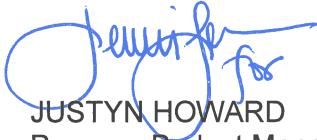
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Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding 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 Cindie Lor, Supervisor, or Satveer Ark, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Nadia Sesay, Interim Executive Director, City and County of San Francisco
Mr. James Whitaker, Property Tax Manager, San Francisco County

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 54,475,258	\$ 96,878,913	\$ 151,354,171
Administrative RPTTF Requested	2,046,714	2,046,715	4,093,429
Total RPTTF Requested	56,521,972	98,925,628	155,447,600
RPTTF Requested	54,475,258	96,878,913	151,354,171
<u>Adjustments</u>			
Item No. 373	(344,553)	(344,553)	(689,106)
Item No. 382	0	(4,054,875)	(4,054,875)
Item No. 408	(4,637,231)	(2,815,114)	(7,452,345)
Item No. 409	(1,759,302)	(1,103,149)	(2,862,451)
Item No. 410	(4,941)	2,465,150	2,460,209
	(6,746,027)	(5,852,541)	(12,598,568)
RPTTF Authorized	47,729,231	91,026,372	138,755,603
Administrative RPTTF Requested	2,046,714	2,046,715	4,093,429
Excess Administrative Costs	0	(502,091)	(502,091)
Administrative RPTTF Authorized	2,046,714	1,544,624	3,591,338
Total RPTTF Approved for Distribution	\$ 49,775,945	\$ 92,570,996	\$ 142,346,941