



Transmitted via e-mail

April 11, 2025

Dustin Claussen, Assistant City Manager
City of Hayward
777 B Street
Hayward, CA 94541

2025-26 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 July 1, 2025 through June 30, 2026 (ROPS 25-26) to the California Department of Finance (Finance) on February 4, 2025. Finance has completed its review of the ROPS 25-26.

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 or 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 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. 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 funding is not allowed.
- 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) 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, 2022 through June 30, 2023 (ROPS 22-23) period. The ROPS 22-23 prior period adjustment (PPA) will offset the ROPS 25-26 Redevelopment Property Tax Trust Fund (RPTTF) distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

Based on our review of the PPA, Finance noted the Agency misspent a portion of excess funds. Specifically, the Agency spent more than what was authorized for the Administrative Cost Allowance for the ROPS 22-23 period. Finance authorized \$250,000 pursuant to the cap; yet a total of \$250,919 was reported. This is \$919 in excess of the maximum amount allowed pursuant to HSC section 34171 (b) (3). Further, pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be retained and expended once the Agency receives approval for their use on future ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,035,454, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2025 through December 31, 2025 period (ROPS A period), and one distribution for the January 1, 2026 through June 30, 2026 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 25-26 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 adjusted item, Finance approves the remaining items listed on the ROPS 25-26 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 25-26, 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 from the date of this letter. The Agency must use the RAD App to complete and submit its Meet and Confer request form. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 25-26. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 25-26 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 25-26 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 RedevelopmentAdministration@dof.ca.gov.

Sincerely,



Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Irene Perez, Management Analyst, City of Hayward
Trina Caballero, Division Chief, Tax Analysis Unit/Countywide Oversight Board
Representative, Alameda County

Attachment

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 2,069,312	\$ 2,069,313	\$ 4,138,625
Administrative RPTTF Requested	200,000	200,000	400,000
Total RPTTF Requested	2,269,312	2,269,313	4,538,625
RPTTF Authorized	2,069,312	2,069,313	4,138,625
Administrative RPTTF Requested	200,000	200,000	400,000
<u>Adjustment(s)</u>			
Item No. 64	(75,000)	(75,000)	(150,000)
Adjusted Administrative RPTTF	125,000	125,000	250,000
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 22-23 Prior Period Adjustment (PPA)	(353,171)	0	(353,171)
Total RPTTF Approved for Distribution	\$ 1,841,141	\$ 2,194,313	\$ 4,035,454