MEMORANDUM

TO: Oversight Board Members

FROM: Tiffany Bohee, Executive Director

SUBJECT: Initial Determination Letter from the Department of Finance on the Recognized Obligation Payment Schedule for July 1, 2014 to December 31, 2014 (ROPS 14-15A)

EXECUTIVE SUMMARY

On April 3, 2014 the Department of Finance ("DOF") issued the initial determination letter for ROPS 14-15A (see Attachment A). DOF objected to the sources of payments on two items, Item No. 140, Yerba Buena Gardens Capital Improvements and Item No. 9, Agency Admin Operations (Retiree Medical Payments). Staff has appealed these determinations, as discussed below, through DOF’s Meet and Confer Process. The Request to Meet and Confer Form (see Attachment B) was submitted to DOF on April 10, 2014, and staff attended the Meet and Confer at DOF’s offices on April 16th. DOF will issue the final determination letter by mid-May.

DOF also reclassified the funding source types within a number of line items to reflect previous changes, based on discussions with DOF staff during the review period. In certain cases, DOF had initially instructed OCII to reflect the use of prior period RPTTF in the Reserve column of the ROPS, but has since determined that prior year RPTTF should be dealt with through the Prior Period Adjustment process (known as the “true-up”), and that OCII should instead request the same amounts again as RPTTF. In other cases, OCII requested to use RPTTF in ROPS 13-14A, but then later determined that other non-RPTTF funds were available and opted to use those funds in order to reduce the use of RPTTF. While this follows the spirit of Dissolution Law, DOF requested that OCII only make such swaps in funding source type with specific prior Oversight Board approval, and then reclassified those items to retroactively provide the expenditure authority in the relevant funding source. The reclassifications are mainly for informational purposes and do not impact OCII’s spending authority.
DISCUSSION

Items 140 & 9

Staff has met with DOF to appeal the determination on the following two items:

Item No. 140: Yerba Buena Gardens Capital Improvements
DOF denied the use of $400,000 in Other funds on Item No. 140, Yerba Buena Gardens ("YBG") Capital Improvements. This was due to the fact that DOF mistakenly believed Item No. 140 was for making deposits into a YBG capital reserve account, rather than for making actual expenditures related to capital improvements. Based on that misunderstanding, DOF stated that no future reserve deposits were needed. Staff has provided DOF with information correcting their understanding of the use of those funds, stating that not only do the $400,000 in capital expenditures need to be made during ROPS 14-15A for actual repair and maintenance work for this very complex, large urban park, they need to be made with the specified funds, which are restricted for use in YBG.

Item No. 9: Agency Admin Operations (Retiree Medical Payments)
Based on DOF's interpretation of Item No. 140, wherein they erroneously determined that the $400,000 in Other funds wasn't needed, DOF stated that the same $400,000 in Other funds could be used to offset an RPTTF request. They selected Item No. 9, OCII's payments for retiree medical insurance payments, for which $510,000 in RPTTF was requested. DOF thus reclassified $400,000 of that RPTTF to Other, such that the revised Item No. 9 would show $110,000 in RPTTF and $400,000 in Other.
As discussed above, the $400,000 for Item No. 140 consists of funds that are restricted for use in YBG. Therefore these funds cannot be reprogrammed to use on Item No. 9, and the original request of $510,000 in RPTTF should be approved.

Oversight Board Approvals on Funding Source Changes

Part of the ROPS 14-15A package included the "true-up" and reporting of prior period expenditures made for the ROS 13-14A period (July-Decembe 2013). In certain cases, the 13-14A ROPS had indicated that an expenditure would be funded with RPTTF, however staff later determined that other funding source could be used, thereby saving RPTTF. While the use of Other funds instead of RPTTF is consistent with the spirit of Dissolution Law, DOF requires that any such change of funding source be approved prior to the expenditure by the Oversight Board. Therefore DOF made adjustments on ROPS 14-15A items in order to retroactively create authority for those expenditures that were made with different funding sources on the ROPS. These changes don't impact OCII's actual spending authority. Going forward, if any funding sources need to be changed within a line item on a ROPS, staff will seek Oversight Board approval.
NEXT STEPS

DOF will review the information provided to them for the Meet and Confer session and make its final determination by mid-May, two weeks prior to the ROPS 14-15A RPTTF distribution date of June 2, 2014. Staff will keep the Oversight Board apprised of DOF’s final determination regarding these contested items.

(Originated by Sally Oerth, Deputy Director)

Tiffany Bohoe
Executive Director

Exhibit B: ROPS 14-15A Meet & Confer Request Form – Items 140 & 9