



REVISED

May 15, 2015

Ms. Joy Otsuki, Leibold McClendon & Mann, P.C.
Designated Local Authority for the City of Pismo Beach
23422 Mill Creek Drive, Suite 105
Laguna Hills, CA 92653

Dear Ms. Otsuki:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 02, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Designated Local Authority for the City of Pismo Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 26, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 02, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 14, 2015.

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

- Item No. 7 – Pismo Beach Designated Local Authority costs in the amount of \$5,000 in non-administrative costs. Per the Agency's Meet and Confer request, the amount of \$5,000 payable from the Redevelopment Property Tax Trust Fund (RPTTF) is denied. We note that the amount the Agency requested in administrative costs, or \$8,000, is permitted.
- Item No. 12 – Legal Services in the amount of \$32,000. The Agency requested \$18,413 in Other Funds and \$13,587 in RPTTF, for a total of \$32,000 for this Item. Per the Agency's Meet and Confer request, the amount requested from Other Funds and RPTTF are denied. In addition, the Agency requested that \$12,000 be added to the administrative cost allowance. Finance originally determined Item No. 12 was not an enforceable obligation because the legal services funding request is for a possible lawsuit with Lucia Mar Unified School District. The lawsuit has yet to be served. Therefore, the obligation for the defense of this lawsuit remains unknown and allocating funds for unknown contingencies is not an allowable use of funds. However, Finance notes that pursuant to HSC section 34171 (b), the agency is permitted \$125,000 in administrative costs. The request for legal services increases the administrative costs requested for ROPS 15-16A to \$20,000 total and within the allowable amount.

Therefore, this item is approved for \$12,000 from the administrative cost allowance. The amounts requested from the other funding sources are denied.

In addition, per Finance's letter dated April 02, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 6 – Although enforceable, the type of service requested totaling \$5,000 is considered a general administrative cost and has been reclassified to administrative costs.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A.

The Agency's maximum approved RPTTF distribution for the reporting period is \$19,019 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	36,087
Total RPTTF requested for administrative obligations	8,000
Total RPTTF requested for obligations on ROPS	\$ 44,087
Total RPTTF requested for non-administrative obligations	36,087
<u>Denied Item</u>	
Item No. 7	(5,000)
Item No. 12	(1,587)
	(6,587)
<u>Reclassified Items</u>	
Item No. 6	(5,000)
Item No. 12	(12,000)
	(17,000)
Total RPTTF authorized for non-administrative obligations	\$ 12,500
Total RPTTF requested for administrative obligations	8,000
<u>Reclassified Items</u>	
Item No. 6	5,000
Item No. 7	12,000
	17,000
Total RPTTF authorized for administrative obligations	\$ 25,000
Total RPTTF authorized for obligations	\$ 37,500
ROPS 14-15A prior period adjustment	(18,481)
Total RPTTF approved for distribution	\$ 19,019

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Tom Murray, Chair, Designated Local Authority, City of Pismo Beach Designated
Local Authority
Ms. Barbara Godwin, Property Tax Manager, San Luis Obispo County
California State Controller's Office