



November 6, 2015

Mr. Jim Throop, Director of Administrative Services
City of El Paso De Robles
821 Pine Street, Suite A
Paso Robles, CA 93446

Dear Mr. Throop:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of El Paso De Robles Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 25, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 9 – Bond Reserves in the amount of \$550,000. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding for debt service payments due during the ROPS 16-17A period. Based upon our review, the bond indentures for the 2000 Tax Allocation Bonds and the 2009 Tax Allocation Bonds Series A and B do require all tax revenues to be deposited until the full years' bond debt service is covered. Therefore, the request for \$550,000 of debt service payments is approved.

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$550,000 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized for other ROPS items. Any requests to fund amounts on the ROPS 16-17A period in excess of the debt service requirements for the fiscal year will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item No. 14 – Supplemental Educational Revenue Augmentation Fund (SERAF) Repayment for State Take-away in the amount of \$100,000 is not allowed. HSC section 34191.4 (b) (3) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's (CAC) reports, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are \$663,381 and \$129,821, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is \$0. Therefore, the request for \$82,497 of RPTTF and \$17,503 of Other Funds for the SERAF Repayment, totaling \$100,000, is not allowed.

During our review Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. As Item No. 14, SERAF Repayment, is not allowed as previously noted, the Agency possesses \$17,503 of Other Funds that should be used prior to requesting RPTTF.

Therefore, the Agency has requested that the funding source for the following line item be reclassified to Other Funds and in the amount specified below:

Item No. 6 – Hidden Creek Affordable Housing Participation Agreement in the amount of \$100,000. The Agency requests \$100,000 of RPTTF; however, Finance is reclassifying \$17,503 to Other Funds. This item is an enforceable obligation for the ROPS 15-16B period. However, the Agency has \$17,503 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$82,497 of RPTTF, and the use of Other Funds in the amount of \$17,503, totaling \$100,000.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board continues to approve an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance again encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the CAC. 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 item denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you 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 at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,168,300 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	1,188,859
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 1,313,859
Total RPTTF requested for non-administrative obligations	1,188,859
<u>Denied Item</u>	
Item No. 14	(82,497)
<u>Reclassified Item</u>	
Item No. 6	(17,503)
Total RPTTF authorized for non-administrative obligations	\$ 1,088,859
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,213,859
ROPS 14-15B prior period adjustment	(45,559)
Total RPTTF approved for distribution	\$ 1,168,300

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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 statutes. 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.

Mr. Jim Throop
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Please direct inquiries to Wendy Griffe, Supervisor, or Kelly Wyatt, Lead Analyst, at
(916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Warren Frace, Director of Community Development, City of El Paso De Robles
Ms. Barbara Godwin, Property Tax Manager, San Luis Obispo County