DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 7, 2016

Ms. Jeri Rangel, Director of Administrative Services
City of Atascadero
6900 Palma Avenue
Atascadero, CA 93422

Dear Ms. Rangel:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Atascadero Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 11 – Colony Square Conditions, Covenants, and Restrictions (CSCCR) Property Maintenance in the amount of $30,000 is partially approved in the amount of $15,000. The CSCCR establishes assessments for the management, operation, maintenance, care and improvement of common areas and facilities. Then the CSCCR bills the Agency for its portion. The Agency was unsure whether the fee will be assessed during the ROPS A period or ROPS B period; therefore, requested $15,000 for each period.

  Although the annual ROPS template includes A and B periods for Redevelopment Property Tax Trust Fund (RPTTF) distribution purposes, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B distributions. Therefore, the amount requested in excess of $15,000 ($30,000 - $15,000) is not eligible for RPTTF.

- Item No. 123 – Sale of Creekside Building Property Disposition in the amount of $400,000 is partially approved in the amount of $200,000. The timing of the sale of the property is unknown; therefore, the Agency requested $200,000 in both the ROPS A and B periods to be funded by Other Funds.

  Although the annual ROPS template includes A and B periods for RPTTF distribution purposes, the Agency is authorized to receive up to the maximum approved RPTTF through combined ROPS A and B distributions. Therefore, the amount requested in excess of $200,000 ($400,000 - $200,000) is not eligible to be funded by Other Funds.

- Item No. 126 – Demolition of Redevelopment Agency Portable Building in the amount of $20,000 is partially approved in the amount of $10,750. The Agency received a construction proposal, which included a total of $10,750 to demolish and remove the portable building situated at 6550 El Camino Real. The Agency was unable to provide documentation to substantiate the remaining request of $9,250 ($20,000 - $10,750). Therefore, the remaining request of $9,250 is not eligible for RPTTF funding.

- Item No. 129 – Master Agreement with City funded with $50,000 in Bond Proceeds. The Agency received a Finding of Completion on March 8, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Additionally, the Oversight Board (OB) approved OB Resolution No. 2014-003 approving the use of 2010 Lease Revenue Bonds excess bond proceeds on August 21, 2014. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation type from Bonds Issued On or Before December 31, 2010 to Bond Funded Project – Pre-2011. Such approval, however, should not be construed as approval of the project/agreement itself as an enforceable obligation.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has approved an amount that appears excessive, given the number and nature of the other obligations listed in 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 required to successfully wind-down the Agency

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,156,895 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's

determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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.

Please direct inquiries to Wendy Griffe, Supervisor, or Medy Lamorena, Lead Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Rachelle Rickard, City Manager, City of Atascadero
Ms. Barbara Godwin, Property Tax Manager, San Luis Obispo County

## Attachment

| Approved RPTTF Distribution<br>For the period of July 2016 through June 2017 | | | |
|---|---|---|---|
| | ROPS A Period | ROPS B Period | Total |
| Requested RPTTF (excluding administrative obligations) | $ 920,810 | $ 1,010,335 | $ 1,931,145 |
| Requested Administrative RPTTF | 125,000 | 125,000 | 250,000 |
| **Total RPTTF requested for obligations on ROPS 16-17** | **$ 1,045,810** | **$ 1,135,335** | **$ 2,181,145** |
| Total RPTTF requested | 920,810 | 1,010,335 | 1,931,145 |
| Denied Items | | | |
| Item No. 11 | 0 | (15,000) | (15,000) |
| Item No. 126 | (9,250) | 0 | (9,250) |
| | (9,250) | (15,000) | (24,250) |
| **Total RPTTF authorized** | **911,560** | **995,335** | **$ 1,906,895** |
| **Total Administrative RPTTF authorized** | **125,000** | **125,000** | **$ 250,000** |
| **Total RPTTF approved for distribution** | **1,036,560** | **1,120,335** | **$ 2,156,895** |