



April 5, 2016

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: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177(o) (1), the City of El Paso De Robles 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 Nos. 1 through 3 – Certificates of Participation (COP) and Bonds for non-housing projects debt service totaling \$1,851,888. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding for debt service payments due for the 12-month period. Based upon our review, the bond indenture does require all tax revenues to be deposited until the full year's bond debt service is covered. Therefore, debt service payments requested in the amount of \$1,851,888 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 \$656,611 requested to be held in reserve along with the amounts required for the current ROPS period must be transferred upon receipt to the bond trustees. The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized for other ROPS items. Future requests to fund these debt service items again will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item No. 4 – Bond for non-housing projects, Series B in the amount of \$775,644 is partially allowed in the amount of \$145,588. Although total RPTTF requested is \$775,644, only \$145,588 is needed to be funded from RPTTF for debt service payments due in the ROPS 16-17 period. Debt service due for the period totals \$395,588 and Finance approved \$250,000 during the January through June 2016 (ROPS 15-16B) period as a reserve. Therefore, only \$145,588 (\$395,588 - \$250,000) is needed to be funded from RPTTF. In addition, the Agency wishes to use the remaining request as a reserve for ROPS 17-18; however, the requested reserve amount of \$380,057

(\$775,644 – \$395,588) is greater than the next bond payment due. Further, it is not clear whether the bond trustee is holding a reserve that should be used for the ROPS 17-18 debt service payments since this obligation will be retired during the next ROPS period. Therefore, the excess \$380,057 is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 1 through 4 – COPs and Bonds for non-housing projects in the total outstanding amount of \$2,627,532. It is our understanding the Agency requested from the incorrect funding source for the COPs and Bonds. Per discussion with Agency staff and review of documentation provided, \$550,000 requested for the annual period should be funded from Reserve Balances and not Other Funds. As a result, the total ROPS 16-17 Reserve Balance funding requested for enforceable obligations has been increased by \$550,000 and Other Funds requested has been decreased by \$550,000.

Except for the item denied 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. Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 8 – Cooperative Administrative Agreement in the amount of \$15,669. The Agency requests \$250,000 of RPTTF; however, Finance is reclassifying \$15,669 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$15,669 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$234,331 and the use of Other Funds in the amount of \$15,669, totaling \$250,000 for the ROPS 16-17 period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,211,606 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 period 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 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 Erika Santiago, 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

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 738,162	\$ 1,619,170	\$ 2,357,332
Requested Administrative RPTTF	125,000	125,000	\$ 250,000
Total RPTTF requested for obligations on ROPS 16-17	\$ 863,162	\$ 1,744,170	\$ 2,607,332
Total RPTTF requested	738,162	1,619,170	2,357,332
<u>Denied Item</u>			
Item No. 40	0	(380,057)	(380,057)
Total RPTTF authorized	738,162	1,239,113	\$ 1,977,275
Total Administrative RPTTF requested	125,000	125,000	250,000
<u>Reclassified Item</u>			
Item No. 8	(15,669)	0	(15,669)
Total Administrative RPTTF after Finance adjustments	109,331	125,000	234,331
Total Administrative RPTTF authorized	109,331	125,000	\$ 234,331
Total RPTTF approved for distribution	847,493	1,364,113	\$ 2,211,606