



May 17, 2013

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies
Pismo Beach Designated Local Authority
865 South Figueroa Street, 35th Floor
Los Angeles, CA 90017

Dear Mr. Jicha:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pismo Beach Designated Local Authority (Authority) submitted ROPS 13-14A to Finance for the period of July through December 2013. Finance issued its determination related to those enforceable obligations on April 15, 2013. Subsequently, the Authority requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 26, 2013.

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 item being disputed.

- Item No. 10 – Lucia Mar Unified School District (District) Agreement for \$251,714 for the ROPS period, with an unknown total obligation amount. This item continues to be an obligation not eligible for funding on the ROPS. Section 2.2 of the agreement states that 100 percent of the District's tax increment shall be allocated to the redevelopment agency (RDA) for 20 years, and thereafter, 100 percent shall be allocated to the District through deposit into the Capital Facilities Fund directly by the county auditor controller (CAC).

The Authority contends the September 1998 agreement is an indebtedness obligation meeting the definition of an enforceable obligation. According to the Authority, allocation of the RDA's tax increment to the District is considered repayment for the indebtedness incurred by the RDA for receiving the District's advanced tax increment funds. HSC section 34171 (e) defines an indebtedness obligation as bonds, notes, certificates of participation, or other evidence of indebtedness issued by the RDA to third party investors or bond holders to finance or refinance redevelopment projects. Further, HSC section 34171 (d) (1) (B) defines an enforceable obligation to be loans of money borrowed by the RDA to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. The agreement does not specify total debt owed by the RDA or any loan terms.

Furthermore, the District has been receiving 100 percent of the tax increment from the project area since 2008 as a pass-through payment. Pursuant to HSC section 34183 (a) (1), the CAC will remit an amount of property tax revenues equal to the amount due to taxing entities pursuant to any pass-through agreements entered into prior to January 1, 1994. Since the amount due is directly distributed by the CAC prior to distribution of Redevelopment Property Tax Trust Fund (RPTTF) to the Authority, this item should not be listed on the ROPS.

Finally, Section 2.11 of the agreement states that in no event shall payments made to the District pursuant to the agreement exceed the amount the District would have received from property taxes had the tax increment funds not been received by the RDA. Therefore, it is unnecessary to request funding through the ROPS process.

Except for the item denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Authority's maximum approved RPTTF distribution for the reporting period is \$16,500 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 251,714
Minus: Six-month total for items denied or reclassified as administrative cost Item 10	251,714
Total approved RPTTF for enforceable obligations	\$ -
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	31,000
Minus: ROPS II prior period adjustment	(14,500)
Total RPTTF approved for distribution:	\$ 16,500

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Authority's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 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 Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

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