DEPARTMENT OF FINANCE

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April 15, 2013

Ms. Tina Olson, Finance Director
City of Pittsburg Successor Agency
65 Civic Avenue
Pittsburg, CA 94565

Dear Ms. Olson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Pittsburg Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 1, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 12 – 2004A Tax Allocation Bonds in the amount of $203,166,304. It is our understanding the Agency requested funding in the amount of $4,209,624 for this item when the correct amount should have been $4,030,000. Therefore, we have adjusted the Redevelopment Property Tax Trust Fund (RPTTF) amount requested by $179,624.

- Item No. 48 – 675-695 Railroad Avenue (Bis/deKat Lease) in the amount of $493,460. The Agency was unable to provide sufficient documentation to support this line item as an enforceable obligation. Therefore, item is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 51, 54 through 61, and 78 – Various Tax Allocation Bond Issuances totaling $24,135,868. The Agency is requesting debt service payments for the full 2014-15 fiscal year; according to the Agency, they are now required to prefund two years of debt service for its subordinate bonds, as outlined in Section 5.03 of the 2004 Amended and Restated Indenture of Trust (Trust) relating to the Los Medanos Community Development Project Subordinate Tax Allocation Bonds. Notwithstanding Section 5.03, the Agency has not provided sufficient documentation to support the new requirement for two year funding of debt service payments, which would be in in addition to the debt service reserve requirement already outlined in the same Trust. Therefore, these line items are not eligible for RPTTF funding.

- Item No. 79 – Various Bonds in the amount of $851,427. The Agency was unable to provide sufficient documentation to support this item as an enforceable obligation; therefore, this item is not eligible for RPTTF funding.

- Item Nos. 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 44, and 64 totaling $91,930 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $36,565,740 as summarized in the table below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	61,879,753
Minus: Six-month total for items denied or reclassified as administrative cost		25,405,943
Total approved RPTTF for enforceable obligations	$	36,473,810
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		91,930
Minus: ROPS II prior period adjustment		-
Total RPTTF approved for distribution:	**$**	**36,565,740**

See Attachment A for itemized listing of denied and reclassified items

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 Agency'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/.

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 Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Maria Aliotti, Redevelopment Manager, City of Pittsburg
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office

Attachment A

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	61,879,753
Minus: Six-month total for items denied or reclassified as administrative cost		
Item No. 12		179,624
Item No. 28*		12,777
Item No. 29*		1,637
Item No. 30*		1,850
Item No. 31*		34
Item No. 32*		252
Item No. 33*		249
Item No. 34*		296
Item No. 35*		36
Item No. 36*		977
Item No. 37*		123
Item No. 38*		1,199
Item No. 44*		62,500
Item No. 64*		10,000
Item No. 48		147,094
Item Nos. 51, 54 through 61		19,023,205
Item No. 78		5,112,663
Item No. 79		851,427
Total approved RPTTF for enforceable obligations	$	36,473,810
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		91,930
Minus: ROPS II prior period adjustment		-
Total RPTTF approved for distribution:	**$**	**36,565,740**

*Reclassified as administrative cost