

May 17, 2013

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

Dear Ms. Olson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the 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 Pittsburg Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 1, 2013 for the period of July through December 2013. Subsequently, the Agency 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 24, 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 items being disputed.

- Item No. 48 – Lease agreement for real property located at 675-695 Railroad Avenue in the amount of \$493,460. Finance is no longer denying this item. Finance originally denied this item because the Agency submitted an unexecuted lease agreement as supporting documentation. During the Meet and Confer process, the Agency provided the executed lease dated March 2005 between the Agency and a third party. Therefore, item is an enforceable obligation and is eligible for RPTTF funding.
- Item Nos. 51 and 61 – Tax Allocation Bonds Series 2004A totaling \$1,186,361. Finance is no longer denying these line items. It is our understanding that the Agency did not receive sufficient tax increment during the ROPS III period to meet their bond payments. To avoid default, the Agency used reserves to cover portions of the debt service. As a result, their bond rating dropped, and the interest rate increased. These line items are accrued interest resulting from the interest rate increase. Therefore, items are enforceable obligations and are eligible for RPTTF funding.
- Item Nos. 54 through 60, and 78 – Various Tax Allocation Bond Issuances totaling \$22,825,249. Finance is no longer denying these items. During the Meet and Confer process, the Agency stated reserves were used to cover portions of their debt service. As a result, the Agency was informed by AMBAC Assurance Corporation the bond indenture requirements were not met, which requires the Agency to fund the subordinate bonds for two years. Finance originally denied these items because the bond indenture

requirement was unclear. Pursuant to the 2004 Amended and Restated Indenture of Trust (Master Indenture) and the subordinate 2006C, and 2008A bond indentures, the Agency is required to prefund two fiscal years of debt service payments for each bond. This requirement is in addition to the debt service reserve requirement. Therefore, these line items are enforceable obligations and eligible for RPTTF funding on the ROPS. Per the Agency's request, the six-month amount requested for line items 55, 56, 57, 58, 60, and 78 totaling \$22,825,249 were adjusted to match the bond debt payment amounts listed on the 2011-12 Comprehensive Annual Financial Report (CAFR). As a result the total RPTTF funding requested for obligations decreased from \$61,879,753 to \$61,775,495.

In addition, per Finance's ROPS letter dated April 15, 2013, the following items continue to be denied and were not contested by the Agency:

- 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. 79 – Various Bonds in the amount of \$851,427. The Agency was unable to provide sufficient documentation to support this item. Therefore, this item is not an enforceable obligation and 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. 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$60,724,444 as summarized in the table below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 61,755,495
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. 79	851,427
Total approved RPTTF for enforceable obligations	<u>\$ 60,632,514</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>91,930</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 60,724,444

*Reclassified as administrative cost

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/](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 Kylie Le, Supervisor or Michael Barr, 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