



November 13, 2013

Ms. Tina Olson, Finance Director  
City of Pittsburg  
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 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 1 – Retirement Pension Bonds in the amount of \$27,000 is not an obligation of the Agency. It is our understanding the City of Pittsburg issued Series 2006 Taxable Pension Funding Bonds; the former redevelopment agency (RDA) was not a party to the issuance. Therefore, this line item is not an enforceable obligation, and is not eligible for Other Funds funding on this ROPS.
- Item No. 20 – 2006 Supplemental Tax Allocation Bonds Series C in the amount of \$1,600. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is \$978,454, only \$976,854 for the interest is due during the ROPS 13-14B period. Therefore, the RPTTF requested has been adjusted by \$1,600, (\$978-454-\$976,854).
- Item Nos. 27 – Prefunding a portion of August 2013 Senior Bonds in the amount of \$11,315,104. According to information provided by the Agency, these items include pre-funding for various bond debt service payments due during the 2014-15 fiscal year. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Therefore, these items are not eligible for RPTTF funding.

- Item Nos. 56 through 58 – Various Bond Fees totaling \$6,170,000. According to the Agency, these items request pre-funding for various bond fees due during the 2014-15 fiscal year. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such reserves. Therefore, these items are not eligible for RPTTF funding.
- Item No. 80 – Deferred Letter of Credit (LOC) fees in the amount of \$830,603. According to the Agency, this item relates to LOC fees due December 29, 2014. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding (RDA) bonds. The statute does not currently recognize all anticipated obligations for the next ROPS periods, thus, the creation of reserves for such items is not permissible. Therefore, this line item is not eligible for RPTTF funding.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency identified the use of Other Funds in ROPS 13-14B totaling \$292,662 for items that were either denied or reclassified as administrative costs.

Therefore, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 6 – 2003 Tax Allocation Bonds in the amount of \$100,581,312. The Agency requested \$1,752,650 for the ROPS 13-14B period. However, because the Agency's request for funding certain items has been disallowed or reclassified, Other Funds in the amount of \$292,662 have been applied to this obligation. Therefore, Finance has approved funding for this obligation in the amount of \$1,459,988 in RPTTF and \$292,662 in Other funds, for a total of \$1,752,650 for this item.
- Item Nos. 28 through 47 for various administrative costs totaling \$347,591. The Agency requested \$81,929 of RPTTF and \$265,662 of Other Funds to fund these administrative costs; however Finance is reclassifying \$265,662 to RPTTF. As stated above, the Agency's request for funding certain items has been disallowed or reclassified; therefore, Finance is approving Administrative RPTTF in the amount of \$347,591 for Item Nos. 28 through 47. Although these items are now included as part of the administrative cost cap, the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d).

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not

received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the item denied in whole or in part as an enforceable obligation or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$26,171,721 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	45,805,423
Total RPTTF requested for administrative obligations	139,129
<b>Total RPTTF requested for obligations</b>	<b>\$ 45,944,552</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>45,805,423</b>
<u>Denied Items</u>	
Item No. 1	(27,000)
Item No. 20	(1,600)
Item No. 27	(11,315,104)
Item No. 56	(3,595,000)
Item No. 57	(2,450,000)
Item No. 58	(125,000)
Item No. 80	(830,603)
	<u>(18,344,307)</u>
<u>Reclassified Items</u>	
Item No. 1	27,000
Item No. 6	(292,662)
	<u>(265,662)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>27,195,454</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>139,129</b>
<u>Reclassified Items</u>	
Item No. 28	147,066
Item No. 29	18,843
Item No. 30	21,300
Item No. 31	397
Item No. 32	2,900
Item No. 33	2,869
Item No. 34	3,412
Item No. 35	410
Item No. 36	11,251
Item No. 37	1,413
Item No. 38	13,801
Item No. 39	2,500
Item No. 40	1,000
Item No. 41	3,000
Item No. 42	1,000
Item No. 43	3,500
Item No. 44	12,500
Item No. 45	12,500
Item No. 46	3,000
Item No. 47	3,000
	<u>265,662</u>
<b>Total RPTTF for administrative obligations</b>	<b>404,791</b>
<b>Total RPTTF approved for obligations</b>	<b>27,600,245</b>
Self-Reported ROPS III prior period adjustment (PPA)	(1,428,524)
<b>Total RPTTF approved for distribution</b>	<b>\$ 26,171,721</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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,



JUSTYN HOWARD  
Assistant Program Budget Manager

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