October 1, 2012

Ms. Rachelle Rickard, Director of Administrative Services
City of Atascadero
6907 El Camino Real
Atascadero, CA 93422

Dear Ms. Rickard

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Atascadero Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 17, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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. 23 and 30 – Golden State Steel and Taft Electrical construction contracts, both dated June 28, 2011 in the amounts of $313,535 and $598,687, respectively. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

- Item No. 25 and 33 – Historic City Hall Earthquake Repair and Rehabilitation Project for landscaping restoration and equipment and fixture replacement in the amounts of $650,000 and $150,000, respectively. It is our understanding that contracts have not been awarded for these services. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

- Item No. 46 – Historic City Hall Earthquake Repair and Rehabilitation Project for construction contingency allocations in the amount of $3,648,451. There are no expenditure contracts in place and allocating funds for unknown contingencies is not an allowable use of funds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

Bond proceeds account for much of the requested funding source for the items denied above. Upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination
with respect to any items on your ROPS III, 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: $1,358,461 as summarized below:

<table>
<thead>
<tr>
<th>Approved RPTTF Distribution Amount</th>
<th>For the period of January through June 2013</th>
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<tbody>
<tr>
<td>Total RPTTF funding requested for obligations</td>
<td>$ 1,233,461</td>
</tr>
<tr>
<td>Less: Six-month total for items denied or reclassified as administrative cost</td>
<td>0</td>
</tr>
<tr>
<td>Total approved RPTTF for enforceable obligations</td>
<td>$ 1,233,461</td>
</tr>
<tr>
<td>Plus: Allowable RPTTF distribution for administrative cost for ROPS III</td>
<td>125,000</td>
</tr>
<tr>
<td><strong>Total RPTTF approved:</strong></td>
<td><strong>$ 1,358,461</strong></td>
</tr>
</tbody>
</table>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Please direct inquiries to Bob Scott, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Barbara Godwin, Property Tax Manager, San Luis Obispo County