



May 17, 2013

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

Dear Mr. Jicha:

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 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Los Banos Designated Local Authority (Agency) submitted a ROPS 13-14A to Finance 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 25, 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. 5 – Rail corridor utility costs for water and electricity in the amount of \$28,500. Finance is no longer objecting to this item. Finance originally denied this item because no supporting documentation was provided. During the Meet and Confer process, the Agency provided invoices for water and electricity costs relating to property maintenance. Therefore, this item is an enforceable obligation and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item No. 22 – Litigation services in the amount of \$60,000. Finance no longer considers this an administrative cost. During the Meet and Confer process, the Agency provided a breakdown of legal fees allocated between litigation, project, and administrative costs. Review of the documentation provided supported the litigation services. Therefore, this item is an enforceable obligation and eligible for RPTTF funding on the ROPS.
- Item No. 23 – Legal services in the amount of \$20,000. Finance continues to reclassify this item as administrative costs. During the Meet and Confer process, the Agency provided their breakdown of the legal fees allocated between litigation, project and administrative costs. However, Finance determined the legal fees do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.

- The costs of maintaining assets prior to disposition.
- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, this item has been reclassified and is eligible for funding on the ROPS as an administrative cost.

- Item No. 29 – Audit fees in the amount of \$10,000. Finance no longer considers this an administrative cost. This item was originally reclassified to an administrative cost because no supporting documentation was provided. During the Meet and Confer process, the Agency provided clarification the fees incurred were for due diligence reviews and bond obligations. This item is an enforceable obligation and eligible for RPTTF funding on the ROPS.
- Item No. 31 – Weed abatement cost in the amount of \$3,245. Finance is no longer objecting to this item. This item was originally denied because no supporting documentation was provided. During the Meet and Confer process, the Agency provided invoices from the fire department in the amount of \$1,728 for weed abatement. These invoices for weed abatement are considered property maintenance costs and eligible for RPTTF funding on the ROPS.

In addition, the Agency submitted an invoice in the amount of \$1,517 identified as staffing costs in researching weed abatement service costs and past due invoices. These types of services are considered general administrative expenses and have been reclassified.

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: \$1,636,156 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,511,156
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 23*	10,000
Item 31*	1,517
Total approved RPTTF for enforceable obligations	<u>\$ 1,499,639</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>136,517</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 1,636,156

*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.

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Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long, sweeping underline that extends to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Amabile, Chair, Los Banos Designated Local Authority
Ms. Sylvia Sanchez, Supervising Accountant, County of Merced
California State Controller's Office