



May 17, 2019

Mr. Mark Persico, Chief Operating Officer, Kosmont Companies
City of Los Banos Designated Local Authority
1601 North Sepulveda Boulevard, #382
Manhattan Beach, CA 90266

Dear Mr. Persico:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Los Banos Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 28, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 24, 2019.

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 determinations being disputed:

- Item No. 11 – Property assessments in the amount of \$57,250 is partially approved. Finance initially denied this item. In its Meet and Confer Request, the Agency provided a breakdown of the fees assessed by property to support the amount requested. Finance identified two properties with assessor's parcel numbers (APN) 025-072-034 and 025-114-018 which have not been transferred pursuant to an approved oversight board (OB) resolution. Fees assessed for these two properties in 2018-19 totaled \$6,728; therefore, Finance partially approves property assessments in the amount of \$7,000, but denies the remaining \$50,250, as described below.

The Agency stated the remaining properties approved for transfer cannot actually be transferred to the City of Los Banos (City) until remediation is complete. This restriction is also identified in OB Resolution No. 2018-09 in which 5 of 15 properties were approved for transfer to the City for government use. Further, the Agency stated during its Meet and Confer that OB Resolution Nos. 2018-13, 2018-14, and 2018-15 do not allow the ten remaining properties to transfer to the City for future development until a compensation agreement is established between the City and the affected taxing entities.

The Agency did not provide any documentation to support its assertion that the ongoing remediation of the properties inhibits or restricts their ability to be transferred to the City. To the extent the Agency is responsible for certain remediation costs, the Agency may include the request for funding in a subsequent ROPS. Further, HSC section 34180 (f) requires the City and affected taxing entities to reach a compensation agreement for the value of properties retained by the City for future development. A compensation agreement is not required to be established in order for the properties to be transferred to the City. Therefore, the remaining \$50,250 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 13 – Supplemental Educational Revenue Augmentation Fund loan in the total outstanding amount of \$429,533 is overstated. The Agency should update the outstanding loan balance to reflect amounts the Agency previously received to make loan repayments as approved on the ROPS. After applying the prior ROPS repayments totaling amount of \$1,045,738 to the principal loan amount of \$1,360,207, the outstanding loan balance is adjusted to \$314,469. Additionally, we are approving loan repayments in the amount of \$264,767 from RPTTF for this current ROPS period; therefore, the outstanding loan balance on the subsequent ROPS Detail Form should be updated accordingly.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The County Auditor-Controller's review of the prior period adjustment form submitted by the Agency resulted in no prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,442,979 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

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Please direct inquiries to Joshua Mortimer, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Michael Amabile, Chair, City of Los Banos Designated Local Authority
Ms. Sylvia Sanchez, Supervising Accountant, Merced County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 1,067,022	\$ 1,226,207	\$ 2,293,229
Administrative RPTTF Requested	100,000	100,000	200,000
Total RPTTF Requested	1,167,022	1,326,207	2,493,229
RPTTF Requested	1,067,022	1,226,207	2,293,229
<u>Adjustment</u>			
Item No. 11	0	(50,250)	(50,250)
RPTTF Authorized	1,067,022	1,175,957	2,242,979
Administrative RPTTF Authorized	100,000	100,000	200,000
Total RPTTF Authorized for Obligations	1,167,022	1,275,957	2,442,979
Prior Period Adjustment	0	0	0
Total RPTTF Approved for Distribution	\$ 1,167,022	\$ 1,275,957	\$ 2,442,979