



November 17, 2014

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

Dear Mr. Jicha:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Los Banos Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 3, 2014 for the period of January 1 through June, 30 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 1, 2, and 3 – Tax Allocation Bond debt service is adjusted as specified below. The Agency requested the March 2014 debt service amounts due instead of the March 2015 amounts due. Therefore, authorization was adjusted by the following amounts:
  - Item No. 1 – Tax Allocation Bond 2001, Series A authorization was decreased by \$6,651 from \$205,985 to \$199,334.
  - Item No. 2 – Tax Allocation Bond 2004, Series A authorization was decreased by \$2,363 from \$122,844 to \$120,481.
  - Item No. 3 – Tax Allocation Bond 2006, Series A authorization was decreased by \$6,232 from \$369,683 to \$363,451.
  
- Item Nos. 7, 8, 10, and 46 – L&L District Reimbursements, Rail Corridor and Tier II Pass through costs totaling \$69,013 are not allowed. No documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funds on future ROPS.

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 (I) (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 provided accounting records that displayed available Reserve Balances totaling \$255,935.

Therefore, the funding source for the following items have been reclassified to Reserve Balances in the amounts specified below.

- Item No. 5 – Rail Corridor in the amount of \$22,920 has been reclassified from RPTTF to Reserve Balances.
- Item No. 6 – L&L District Reimbursement in the amount of \$6,126 has been reclassified from RPTTF to Reserve Balances.
- Item No. 9 – L&L District Reimbursement in the amount of \$4,660 has been reclassified from RPTTF to Reserve Balances.
- Item No. 11 – L&L District Reimbursement in the amount of \$28,376 has been reclassified from RPTTF to Reserve Balances.
- Item No. 12 – Fiscal Agent Cost in the amount of \$2,250 has been reclassified from RPTTF to Reserve Balances.
- Item No. 22 – DLA Legal Counsel in the amount of \$10,000 has been reclassified from RPTTF to Reserve Balances.
- Item No. 23 – Pacheco Oil Site Clean-up in the amount of \$10,000 has been reclassified from RPTTF to Reserve Balances.
- Item No. 26 – Fiscal Agent Cost in the amount of \$1,650 has been reclassified from RPTTF to Reserve Balances.
- Item No. 27 – Fiscal Agent Costs in the amount of \$1,760 has been reclassified from RPTTF to Reserve Balances.
- Item No. 29 – Audit Fees in the amount of \$5,000 has been reclassified from RPTTF to Reserve Balances.
- Item No. 31 – Weed Abatement Cost in the amount of \$1,000 has been reclassified from RPTTF to Reserve Balances.
- Item No. 41 – DLA Administration in the amount of \$127,193 has been reclassified from Admin RPTTF to Reserve Balances.
- Item No. 42 – Housing Admin Costs in the amount of \$35,000 has been reclassified from RPTTF to Reserve Balances.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency.

HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 for the reporting period is \$973,559 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	1,213,767
Total RPTTF requested for administrative obligations	127,193
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 1,340,960</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,213,767</b>
<b>Denied Items</b>	
Item No. 1	(6,651)
Item No. 2	(2,363)
Item No. 3	(6,232)
Item No. 7	(4,527)
Item No. 8	(1,692)
Item No. 10	(1,050)
Item No. 46	(61,744)
	(84,259)
<b>Cash Balances - Items reclassified to other funding sources</b>	
Item No. 5	(22,920)
Item No. 6	(6,126)
Item No. 9	(4,660)
Item No. 11	(28,376)
Item No. 12	(2,250)
Item No. 22	(10,000)
Item No. 23	(10,000)
Item No. 26	(1,650)
Item No. 27	(1,760)
Item No. 29	(5,000)
Item No. 31	(1,000)
Item No. 42	(35,000)
	(128,742)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,000,766</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>127,193</b>
Cash Balances - Items reclassified to other funding sources	
Item No. 41	(127,193)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,000,766</b>
ROPS 13-14B prior period adjustment	(27,207)
<b>Total RPTTF approved for distribution</b>	<b>\$ 973,559</b>

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except for the expenditure amounts from Reserve Balance during the ROPS 13-14B period. Therefore, as noted above, Finance has reclassified the available cash balances in the amount of \$255,935 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

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, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

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