

April 13, 2016

Mr. Christopher J. Jicha, Senior Consultant, Kosmont Companies
City of Los Banos Designated Local Authority
1601 North Sepulveda Boulevard No. 382
Manhattan Beach, CA 90266

Dear Mr. Jicha:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Los Banos Designated Local Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 8, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 13 – The total outstanding balance for the Supplemental Educational Revenue Augmentation Fund loan is overstated. The outstanding balance should be updated every ROPS period to reflect the outstanding balance for the current period. The Agency was approved and received for loan repayments in the amount of \$145,738 on previous ROPS. Finance has recalculated the total loan outstanding (approximately \$1,214,469), and has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$145,738. Additionally, we are approving loan repayments of \$350,000 for the ROPS 16-17 period; therefore, the outstanding loan balance on the subsequent ROPS should be updated accordingly.
- Item Nos. 42 and 49 – Housing Administrative cost and Continuing Bond disclosure fees in the amount of zero and \$5,000, respectively. Per discussion with Agency Staff, Finance increased total requested for Item No. 42 from zero to \$70,000, and decreased the total amount requested for Item No. 49 from \$5,000 to zero. As a result, the total ROPS 16-17 Redevelopment Property Tax Trust Fund (RPTTF) has been increased by \$65,000.
- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for

the following items have been reclassified to Reserve Balances and Other Funds, and in the amounts specified below:

Item No.	Project Name/ Debt Obligation	ROPS 16-17 Amount of RPTTF Requested	Amount Reclassified to Other Funds	Amount Reclassified to Reserve Balance
5	Rail Corridor Property	\$16,000	\$2,581	\$2,625
6	L&L District Reimbursement	6,500	0	6,500
7	L&L District Reimbursement	1,900	0	1,900
8	L&L District Reimbursement	4,250	0	777
11	L&L District Reimbursement	57,250	0	57,250
	Total	\$85,900	\$2,581	\$69,052

Except for the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 RPTTF distribution for the reporting period is \$2,642,836 as summarized in the Approved RPTTF Distribution table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time 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

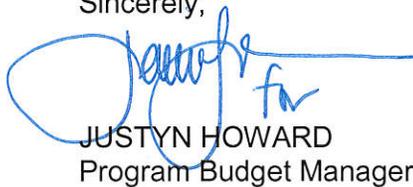
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denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
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 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 1,081,135	\$ 1,318,334	\$ 2,399,469
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	1,206,135	1,443,334	\$ 2,649,469
Adjustment to Agency Requested RPTTF			
Item No. 42	0	70,000	70,000
Item No. 49	(2,500)	(2,500)	(5,000)
Total RPTTF adjustments	(2,500)	67,500	\$ 65,000
Total RPTTF requested	1,078,635	1,385,834	2,464,469
<u>Reclassified Items</u>			
Item No. 5	(5,206)	0	(5,206)
Item No. 6	0	(6,500)	(6,500)
Item No. 7	0	(1,900)	(1,900)
Item No. 8	0	(777)	(777)
Item No. 11	0	(57,250)	(57,250)
	(5,206)	(66,427)	(71,633)
Total RPTTF authorized	1,073,429	1,319,407	\$ 2,392,836
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	1,198,429	1,444,407	\$ 2,642,836