DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

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April 4, 2019

Ms. Jan Sprague, Admin Secretary
California City
21000 Hacienda Boulevard
California City, CA 93505

Dear Ms. Sprague:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the California City Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 31, 2019. Finance has completed its review of the ROPS 19-20.

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

- Item No. 10 – Administrative Cost in the amount of $264,153. The Agency requests $164,153 in Other Funds and $100,000 in Redevelopment Property Tax Trust Fund (RPTTF), totaling $264,153 to pay administrative costs. During our review of the Prior Period Adjustment form for ROPS 16-17 (ROPS 16-17 PPA), Finance identified $164,153 in Other Funds were inadvertently omitted from the ROPS 16-17 PPA calculation, resulting in an additional adjustment to the ROPS 16-17 PPA. As such, the requested use of $164,153 in Other Funds is not available and was reclassified to Administrative RPTTF, totaling $264,153.

- Item Nos. 23, 24, and 25 – various duplicate obligations. These obligations were previously identified on the ROPS as Item Nos. 20, 21, and 22. For consistency purposes between ROPS periods, Finance is moving the requested annual funding amounts from Item Nos. 23, 24, and 25 to Item Nos. 20, 21, and 22. Therefore, obligations for Item Nos. 23, 24, and 25 should be classified as "retired" on the ROPS as funding is no longer required and these are duplicate obligations. Further, retired line items are excluded from the ROPS Detail form, therefore, these item numbers remain unavailable to use, as it is assigned to that specific retired obligation indefinitely.

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately $59,373 from Reserve Balances available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The following items do not require payment from property tax revenues and the Agency has $59,373 in available Reserve Balances. Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified in the amount specified below:

Item No.	Item Name/Project Name	Total Funding Authorized	RPTTF Approved	Reserve Balances Approved	Other Funds Approved
7	Airport Industrial Development	$1,071,712	$0	$40,640	$1,031,072
10	Administrative Cost	250,000	231,267	18,733	0
	Total	$1,321,712	$231,267	$59,373	$1,031,072

- The claimed administrative costs exceed the allowance by $14,153.
  HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is $250,000 for fiscal year 2019-20.

  Although $264,153 is claimed for ACA, as described in Item No. 10, only $250,000 is available pursuant to the cap. Therefore, as noted in the table below, $14,153 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	$ 1,270,262
Less distributed Administrative RPTTF	(250,000)
Less sponsoring entity loan repayments	0
RPTTF distributed for 2018-19 after adjustments	1,020,262
ACA Cap for 2019-20 per HSC section 34171 (b)	250,000
ACA requested for 2019-20	100,000
Plus amount reclassified to ACA	164,153
Total ACA	**264,153**
ACA in Excess of the Cap	**$ (14,153)**

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

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 amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency, as adjusted by Finance.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related

determinations, the Agency 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 on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $1,132,133 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.

Absent a Meet and Confer, this is our final 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 322-2985.

Sincerely,

JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Tom Weil, City Manager, California City
Ms. Mary B. Bedard, Auditor-Controller, Kern 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	$ 715,302	$ 390,376	$ 1,105,678
Administrative RPTTF Requested	50,000	50,000	100,000
Total RPTTF Requested	**765,302**	**440,376**	**1,205,678**
RPTTF Requested	**715,302**	**390,376**	**1,105,678**
Adjustment			
Item No. 7	(20,320)	(20,320)	(40,640)
RPTTF Authorized	**694,982**	**370,056**	**1,065,038**
Administrative RPTTF Requested	**50,000**	**50,000**	**100,000**
Adjustment			
Item No. 10	145,420	0	145,420
Adjusted Administrative RPTTF	**195,420**	**50,000**	**245,420**
Excess Administrative Costs	(14,153)	0	(14,153)
Administrative RPTTF Authorized	**181,267**	**50,000**	**231,267**
Total RPTTF Authorized for Obligations	**876,249**	**420,056**	**1,296,305**
Prior Period Adjustment	(164,172)	0	(164,172)
Total RPTTF Approved for Distribution	**$ 712,077**	**$ 420,056**	**$ 1,132,133**