



December 18, 2012

Ms. Jan Sprague, Administrative Secretary
City of California City
21000 Hacienda Blvd
California City, CA 93505

Dear Ms. Sprague:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 29, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the California City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 27, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 29, 2012. 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 November 30, 2012.

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.

- Items Nos. 5 and 6 – Federal court stipulated judgments for City loans in the amount of \$23 million. Finance continues to deny the items at this time. Finance denied the items even though the judgment validates the promissory notes as contracts, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods. The Agency contends the items are enforceable obligations because the Federal court in Fresno declared the Subdivision Deferred Improvement Fund (SDI) to be a trust, and the City is only the trustee and manages the fund. The SDI trust should therefore be viewed as a distinct entity and not as the "City." However, the promissory notes are with the City and HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless entered into within the first two years of the date of creation or solely for the purpose of securing or repaying indebtedness obligations. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the items are currently not enforceable obligations.

- Item No. 10 – Claimed administrative costs exceed the allowance by \$134,215. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 for administrative cost. Therefore, \$134,215 of the claimed \$384,215 is not an enforceable obligation. The Agency contends the item is an enforceable obligation as this amount was approved for prior ROPS periods, but insufficient Redevelopment Property Tax Trust Fund (RPTTF) was available. The costs were paid for by the City's General Fund. Per HSC section 34713 (h), the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the Agency does not have a loan agreement with the City; therefore, this item is currently not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 29, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 9 – Loan to fund SERAF payment in the amount of \$861,875. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the low mod income housing fund shall not be made prior to the 2013-14 fiscal year. Since this item cannot be paid at this time, this line item is not an enforceable obligation and not eligible for RPTTF funding.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$1,148,349 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 9,956,410
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 5	7,709,226
Item 6	979,460
Item 9	369,375
Total approved RPTTF for enforceable obligations	\$ 898,349
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 1,148,349

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,043,359
Total RPTTF for the period January through June 2013	898,349
Total RPTTF for fiscal year 2012-13:	\$ 1,941,708
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 250,000

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county

auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. 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 January 1 through June 30, 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Tom Weil, City Manager, City of California City
Ms. Ann Barnett, Auditor-Controller, Kern County
California State Controller's Office