



October 29, 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

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of 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 through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

On October 8, 2012, Finance issued a letter stating your maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution amount is \$1,014,134. It has come to our attention \$134,215 of excess administrative cost was inadvertently deducted twice. Based on a recalculation, Finance has determined the correct amount is \$1,148,349. Therefore, we are issuing a revised letter to reflect this change.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligation(s):

- Item No. 5 and 6 – Federal court stipulated judgments for City loans in the amount of \$23 million. While 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. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- 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.
- Item No. 10 – Claimed administrative costs exceed the allowance by \$134,215. 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.

Except for items denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: \$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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay", with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

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