



Transmitted via e-mail

April 14, 2020

Jeff Jones, Finance Director
City of Arvin
200 Campus Drive
Arvin, CA 93203

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Arvin Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 31, 2020. Finance has completed its review of the ROPS 20-21.

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

- Item Nos. 11 and 12 – City loans in the total outstanding amount of \$634,752 are not allowed. These items were denied in Finance's ROPS determination letter dated March 12, 2018, and continue to be denied. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on April 26, 2013. However, the Agency has yet to submit an OB action to Finance for review to determine the enforceability of these loans. Therefore, these obligations are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 50 – Short Term Loan from the City of Arvin to cover prior period RPTTF shortfalls in the amount of \$154,865 is partially allowed. The Agency inadvertently requested an excess of \$59,044 on the current ROPS, and clarified the outstanding loan balance is \$95,821. However, the balance includes \$13,310 of accrued interest that is not supported by valid contracts; therefore, it is ineligible for funding. As a result, the Agency's current ROPS request of \$154,865 has been reduced by \$72,354 (\$59,044 + \$13,310) to \$82,511 of RPTTF.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the 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 (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$750,233, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, 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 must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. 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 deemed denied until the matter is resolved.

The ROPS 20-21 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 20-21 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 the RPTTF is the same as the amount of property tax increment available prior to the enactment of the 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 the RPTTF.

Please direct inquiries to Mindy Patterson, Supervisor, or Rachel Lynch, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Jerry Breckinridge, City Manager, City of Arvin
Mary B. Bedard, Auditor-Controller, Kern County

Attachment

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 923,738	\$ 386,121	\$ 1,309,859
Administrative RPTTF Requested	75,000	75,000	150,000
Total RPTTF Requested	998,738	461,121	1,459,859
RPTTF Requested	923,738	386,121	1,309,859
<u>Adjustment(s)</u>			
Item No. 11	(99,698)	0	(99,698)
Item No. 12	(535,054)	0	(535,054)
Item No. 50	(72,354)	0	(72,354)
	(707,106)	0	(707,106)
RPTTF Authorized	216,632	386,121	602,753
Administrative RPTTF Authorized	75,000	75,000	150,000
ROPS 17-18 prior period adjustment (PPA)	(2,520)	0	(2,520)
Total RPTTF Approved for Distribution	\$ 289,112	\$ 461,121	\$ 750,233