



Transmitted via e-mail

April 15, 2020

Cheri Freese, Finance Director
City of Ridgecrest
100 West California Ave
Ridgecrest, CA 93555

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Ridgecrest 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 30, 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 No. 38 – Senior Housing Loan repayment in the total outstanding balance of \$3,290,403 is not allowed. This line item is currently the subject of litigation and the requested amount of \$3,290,403 in Redevelopment Property Tax Trust Fund (RPTTF) funds is not authorized at this time. The Agency notes that an opinion from the Court of Appeal, Third Appellate District for Case No. C084574 has been issued confirming the loan commitment letter dated March 23, 2011 as a binding contract. While Finance agrees the opinion holds that the letter commitment created a contract, Finance notes that the Agency's current request is to pay the loan amount to the City of Ridgecrest (City) and such a request is inconsistent with the opinion. Further, this item cannot be fully reviewed until the trial court issues a final ruling and writ on the matter such that Finance can determine whether payment requests are consistent with the final ruling.
- Item Nos. 39 and 40 – WasteWater loan repayment totaling \$3,172,632 is partially allowed. This relates to the reimbursement of project costs incurred by the City for construction of the Photovoltaic Solar Energy Production Field through a third party contract between the City and Trane U.S. Inc. Finance's October 21, 2016 Oversight Board (OB) Resolution No. 16-03 determination letter approved \$1,836,598 for this loan, but denied \$1,286,498 due to a lack of support. Subsequent to Finance's partial approval of OB Resolution No. 16-03, a Settlement Agreement was entered into between the Agency and Finance resulting in an additional \$668,017 for this loan, totaling \$2,504,615 (\$1,836,598 + \$668,017). For the ROPS 20-21 period, the Agency is requesting the outstanding principal balance under Item No. 39 and interest associated with this loan under Item No. 40. Finance makes the following adjustments related to Item Nos. 39 and 40.

- Item No. 39 – WasteWater loan repayment in the amount of \$650,000 for the fiscal year is being increased by \$371,012. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year. According to the Kern County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2019-20 are \$2,927,831 and \$4,969,855, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 20-21 period is \$1,021,012. Since HSC section 34191.4 (b) (3) (A) requires loan repayments to be applied first to principal, Finance is increasing the RPTTF requested for Item No. 39 by \$371,012, for total approval of \$1,021,012 (\$650,000 + \$371,012).
- Item No. 40 – The requested amount of \$650,000 for interest associated with the WasteWater loan is not allowed. Finance is approving the maximum loan repayment pursuant to HSC section 34191.4 (b) (3) (A) on Item No. 39 for this obligation. Therefore, the requested \$650,000 in RPTTF is not allowed. Finance recommends combining the principal and interest for this loan to Item No. 39 on future ROPS.
- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$77,660 from Other Funds available to fund enforceable obligations on the ROPS 20-21. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funds. This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 42 – 2018 Tax Allocation Refunding Bonds, Series A in the amount of \$603,051 is partially reclassified. Finance is approving RPTTF in the amount of \$525,391 and the use of Other Funds in the amount of \$77,660, totaling \$603,051.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the 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 CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,866,050, 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 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 Kylie Oltmann, Supervisor, or Jessica Yip, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Alex Lawrence, Consultant, City of Ridgecrest
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	\$ 6,071,156	\$ 1,463,335	\$ 7,534,491
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	6,196,156	1,588,335	7,784,491
RPTTF Requested	6,071,156	1,463,335	7,534,491
<u>Adjustment(s)</u>			
Item No. 38	(3,290,403)	0	(3,290,403)
Item No. 39	371,012	0	371,012
Item No. 40	(650,000)	0	(650,000)
Item No. 42	(77,660)	0	(77,660)
	(3,647,051)	0	(3,647,051)
RPTTF Authorized	2,424,105	1,463,335	3,887,440
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 17-18 prior period adjustment (PPA)	(271,390)	0	(271,390)
Total RPTTF Approved for Distribution	\$ 2,277,715	\$ 1,588,335	\$ 3,866,050