DEPARTMENT OF FINANCE

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October 30, 2013

Mr. Gary Parsons, Project Manager
City of Ridgecrest
100 West California Ave
Ridgecrest, CA 93555

Dear Mr. Parsons:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ridgecrest Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 25, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

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

- Claimed administrative costs exceed the allowance by $2,000. HSC section 34171 (b) limits fiscal year 2013-2014 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 in administrative expenses. The Kern County Auditor-Controller's Office distributed $141,310 for the July through December 13-14A period, thus leaving a balance of $108,690 available for the January through June 13-14B period. Although $108,690 is claimed for administrative cost, Item No. 16 for auditing costs in the amount of $2,000 is considered an administrative expense and should be counted toward the cap. Therefore, $2,000 of excess administrative cost is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 $3,754,305 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		4,159,403
Total RPTTF requested for administrative obligations		108,690
Total RPTTF requested for obligations	**$**	**4,268,093**
Total RPTTF requested for non-administrative obligations		**4,159,403**
Reclassified Items		
Item No. 16		(2,000)
Total RPTTF approved for non-administrative obligations		**4,157,403**
Total RPTTF requested for administrative obligations		**108,690**
Reclassified Items		
Item No. 16		2,000
Total RPTTF for administrative obligations		**110,690**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)		**108,690**
Total RPTTF approved for obligations		**4,266,093**
ROPS III prior period adjustment		(511,788)
Total RPTTF approved for distribution	**$**	**3,754,305**
Administrative Cost Cap Calculation		
Total RPTTF for 13-14A (July through December 2013)		1,177,177
Total RPTTF for 13-14B (January through June 2014)		4,157,403
Less approved unfunded obligations from prior periods		-
Total RPTTF for fiscal year 2013-14		**5,334,580**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)		250,000
Administrative allowance for 13-14A (July through December 2013)		141,310
Allowable RPTTF distribution for administrative cost for ROPS 13-14B		**108,690**

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Tess Sloan, Assistant Finance Director, City of Ridgecrest
Ms. Mary B Bedard, Auditor-Controller, Kern County
California State Controller's Office