



April 6, 2015

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 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

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

- Item No. 18 – City loan to finance solar park in the amount of \$3,185,616 remains denied pursuant to Finance’s ROPS 14-15B Meet and Confer letter dated December 17, 2014. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. Finance initially denied this item because Finance’s Oversight Board Resolution No.14-03 determination letter dated May 13, 2014 determined that sufficient documents were not provided to support the loan, such as an executed loan agreement, and the Agency did not provide any additional documents during the ROPS review.

During the Meet and Confer process, the Agency contended that the joint resolution of the Ridgecrest City Council (City) and the former RDA has the material terms for the loan and that the City and former RDA did not enter into a formal agreement. However, HSC section 34191.4 (b) (1) specifically states that “loan agreements entered into...shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.” Without providing a loan agreement that was actually entered into, it is unclear how the oversight board could make such a finding. Additionally, only one vote was recorded on the joint resolution provided and it is unclear whether the joint resolution was passed by the City Council or the former RDA Board. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 21 and 23 – Arbitrage Analysis and Fiscal Agent fees totaling \$5,000 is partially denied. The Agency provided invoices supporting \$2,000 and \$1,470 for Item Nos. 21 and 23, respectively. Therefore, the remaining of \$500 and \$1,030, respectfully, is not supported and are not eligible for RPTTF funding. To the extent the Agency can provide suitable documentation, such as executed contracts or invoices to support the funding for the six-month period, the Agency may be able to obtain RPTTF funding on future ROPS.
- Item No. 28 – Housing administrative cost allowance pursuant to AB 471 in the amount of \$75,000. Finance continues to deny this obligation. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Because, the City of Ridgecrest (City) is the City-formed Housing Authority (Authority), the Authority operates under the control of the City. Therefore, \$75,000 of housing entity administrative allowance is not allowed.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board 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 oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,258,973 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	1,877,691
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,002,691</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,877,691</b>
<u>Denied Items</u>	
Item No. 18	(634,000)
Item No. 21	(500)
Item No. 23	(1,030)
Item No. 28	(75,000)
	<u>(710,530)</u>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,167,161</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,292,161</b>
ROPS 14-15A prior period adjustment	(33,188)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,258,973</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 15-16A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
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