

November 9, 2015

Mr. Robert Ruiz, Finance Director  
City of Arvin  
200 Campus Drive  
Arvin, CA 93203

Dear Mr. Ruiz:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Arvin Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 29, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 1 – The Agency requested the incorrect amount for the 2005 Tax Allocation Bonds payment. Per discussion with the Agency staff and review of documentation provided, the \$198,734 requested for the six-month period should be \$407,468. As a result, the total ROPS 15-16B Redevelopment Property Tax Trust Fund (RPTTF) funding requested for enforceable obligations has been increased by \$208,734.
- Item Nos. 11 and 12 – City loans totaling \$652,752 are not allowed. 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 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. The Agency provided an oversight board (OB) action approving the loan as an enforceable obligation and making a finding the loan was for legitimate redevelopment purposes, however, this OB action was not submitted to Finance for review. Therefore, this ROPS item is not eligible for RPTTF funding at this time.

- Item No. 16 – Housing element (general plan) in the amount of \$41,600 is not allowed for RPTTF funding. No documentation was provided to support amounts claimed. To the extent the Agency can provide suitable documentation, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item No.17 – Administrative costs in the amount of \$250,000. The Agency erroneously requested funding from Non-Administrative RPTTF, therefore the amount of \$250,000 has been reclassified to Administrative RPTTF.
- Item No. 39 – Legal services in the amount of \$144 should be counted towards the administrative cap. The Agency is requesting a total of \$8,704 for legal services related to the settlement agreement with the local educational agencies. However, the Agency provided supporting documentation identifying \$144 of the \$8,704 is for general legal services. Although general legal fees are enforceable, these types of services are considered general administrative cost and have been reclassified.
- Claimed administrative costs exceed the allowance by \$144. HSC section 34171 (b) (2) limits fiscal year 2015-16 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 Auditor-Controller's Office distributed zero for the July through December 2015 period, thus leaving a balance of \$250,000 available for the January through June 2016 period. Although \$250,000 is claimed for administrative cost, Item No. 39 for legal services in the amount of \$144 is considered an administrative expense and should be counted toward the cap. Therefore, \$144 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of approved in the table on the following page only reflects the Agency's self-reported prior period adjustment.

Except for the items denied in whole or that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$936,522 as summarized in the Approved RPTTF Distribution table on the following page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	1,422,284
Total RPTTF requested for administrative obligations	0
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 1,422,284</b>
RPTTF adjustment to non-administrative obligations	208,734
<b>Total RPTTF adjustments</b>	<b>\$ 208,734</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,631,018</b>
<u>Denied Items</u>	
Item No. 11	(99,698)
Item No. 12	(553,054)
Item No. 16	(41,600)
	(694,352)
<u>Reclassified Items</u>	
Item No. 17	(250,000)
Item No. 39	(144)
	(250,144)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 686,522</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>0</b>
<u>Reclassified Items</u>	
Item No. 17	250,000
Item No. 39	144
	250,144
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(144)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 250,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 936,522</b>
ROPS 14-15B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 936,522</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	271,158
Total RPTTF for 15-16B (January through June 2016)	686,522
Less approved unfunded obligations from prior periods	(55,680)
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>902,000</b>
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(125,000)
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>125,000</b>
ROPS 15-16B administrative obligations after Finance adjustments	250,000
<b>Administrative costs in excess of the cap</b>	<b>\$ 144</b>

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined

the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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 statutes. 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Alfonso Noyola, City Manager, City of Arvin  
Ms. Mary B. Bedard, Auditor-Controller, Kern County