



December 17, 2015

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

Dear Mr. Parsons:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 12, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ridgecrest Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 30, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 12, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on November 24, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 32 – ROPS 13-14B City/County loan repayment in the amount of \$48,427 was not allowed. Finance continues to deny this item at this time. Pursuant to HSC section 34173 (h) (1) the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for the payment of administrative costs or enforceable obligations only to the extent that the successor agency receives insufficient distribution from the Redevelopment Property Tax Trust Fund (RPTTF), or other approved sources of funding are insufficient, to pay approved enforceable obligations in the ROPS period. Finance initially denied this item because the Agency has not submitted an Oversight Board (OB) action approving this loan repayment. During the Meet and Confer process, the Agency contended that this item was approved by the OB as part of ROPS 15-16B. However, the Agency does not have a loan agreement specifying the purpose of the loan, loan amount, or repayment terms with the City of Ridgecrest that has been approved by both the OB and Finance. Therefore, this item is currently not an enforceable obligation and is not eligible for RPTTF funding at this time.
- Item Nos. 11 and 15 – Bond Project Management and Attorney Fees in the amounts of \$76,681 and \$50,000, respectively, have been reclassified to the administrative cost allowance (ACA). As a result, the claimed administrative costs exceed the allowance by

\$126,681. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable out of the ACA. In addition, bond project management costs should also be payable out of the ACA.

During the Meet and Confer process the Agency contended that the legal expenses related to civil actions in Item No. 15 should not be reclassified to the ACA because the section cited does not take effect until January 1, 2016, and should not be applied at this time. However, the ROPS 15-16B period begins on January 1, 2016. Therefore, the section cited applies to the ROPS 15-16B review and Finance continues to reclassify Item No. 15 to the ACA.

HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of the RPTTF funds allocated to the Redevelopment Obligation Retirement Fund for the fiscal year or \$250,000. The Kern County Auditor-Controller distributed \$125,000 administrative costs for the July through December 2015 period, thus leaving a balance of \$125,000 available for the January through June 2016 period. Although \$125,000 is claimed for ACA, Item Nos. 11 and 15 are considered general administrative cost and should be counted toward the cap. Therefore, \$126,681 of excess administrative cost is not allowed.

The Agency also contested Item No. 18 during the Meet and Confer. However, pursuant to HSC section 34177 (m) (1), items that are the subject of litigation disputing Finance's previous or related determination are not eligible for meet and confer. As such, we continue to make the following determination:

- Item No. 18 – Wastewater Loan in the amount of \$2,504,615. Finance continues to deny this item. 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. The Agency provided Oversight Board (OB) Resolution No.14-03, which makes a finding that the loan was for legitimate redevelopment purposes; however, Finance's determination letter dated May 13, 2014, determined that sufficient documents were not provided to support the loan, such as an executed loan agreement. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

In addition, per Finance's letter dated November 12, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 28 – Ridgecrest Housing Authority in the total outstanding amount of \$600,000. The Agency requests \$75,000 of administrative RPTTF for the six-month period. This item was previously denied in our determination letter dated May 15, 2015 and Finance continues to deny this item. 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. Because the housing entity to the former redevelopment agency of the City of Avalon is the City-formed Housing Authority (Authority), the Authority operates under the control of the City and is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, \$75,000 of

housing entity administrative allowance requested on ROPS 15-16B and the total outstanding amount of \$600,000 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 RPTTF 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 in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,204,948 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	3,965,157
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 4,090,157
Total RPTTF requested for non-administrative obligations	3,965,157
<u>Denied Items</u>	
Item No. 18	(634,001)
Item No. 28	(75,000)
Item No. 32	(48,427)
	(757,428)
<u>Reclassified Item</u>	
Item No. 11	(76,681)
Item No. 15	(50,000)
	(126,681)
Total RPTTF authorized for non-administrative obligations	\$ 3,081,048
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 11	76,681
Item No. 15	50,000
	126,681
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(126,681)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,206,048
ROPS 14-15B prior period adjustment	(1,100)
Total RPTTF approved for distribution	\$ 3,204,948

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	1,167,161
Total RPTTF for 15-16B (January through June 2016)	3,081,048
Total RPTTF for fiscal year 2015-2016	4,248,209
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)
Remaining administrative cost cap for ROPS 15-16B	125,000
ROPS 15-16B administrative obligations after Finance adjustments	(251,681)
Administrative costs in excess of the cap	\$ (126,681)

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:

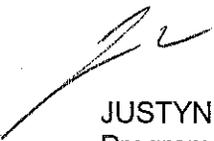
<http://www.dof.ca.gov/redevelopment/ROPS>

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

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