



April 12, 2016

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

Dear Mr. Ruiz:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Arvin Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item Nos. 11 and 12 – City loans in the total outstanding amount of \$632,752 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, these obligations are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 16 – Housing element (general plan) in the amount of \$41,600 funded with Administrative RPTTF for the July 1, 2016 through December 31, 2016 (ROPS A period). Per discussion with Agency staff, this obligation should be funded from RPTTF instead of Administrative RPTTF. However, no documentation was provided to support the amounts claimed. To the extent the Agency can provide documentation, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS. Therefore, the requested amount of \$41,600 is not eligible for RPTTF for the ROPS A period.
- Item No. 40 – Kern County Superintendent of Schools Settlement Agreement in the amount of \$75,365 funded from Administrative RPTTF for the ROPS A period. Per

discussion with Agency staff, this obligation should be funded from RPTTF instead of Administrative RPTTF. It is our understanding the Agency was fully funded for this obligation during ROPS 15-16B, therefore, this obligation is no longer outstanding and the Agency's request of \$75,365 is not allowed.

- Item No. 41 – Kern County Community College District Settlement Agreement in the amount of \$10,613 funded from Administrative RPTTF for the ROPS A period. Per discussion with Agency staff, this obligation should be funded from RPTTF instead of Administrative RPTTF. However, no documentation was provided to support the amounts claimed. To the extent the Agency can provide documentation, such as resolutions or contracts that were adopted by the Agency to make these payments, the Agency may be able to obtain RPTTF on future ROPS. Therefore, the requested amount of \$10,613 is not eligible for RPTTF for the ROPS A period.
- Item Nos. 42 through 45 – Annual Trustee Fee 2005 Bonds, Annual Trustee Fee 2008 Bonds, Continuing Disclosure and Legal Services totaling \$15,605 are duplicate obligations. These obligations were previously identified on the ROPS as Item Nos. 27, 28, 36, and 39. For consistency purposes between ROPS periods, Finance is moving the requested funding amounts from Item Nos. 42 through 45 to Item Nos. 27, 28, 36, and 39 respectively. Therefore, obligations for Item Nos. 42 through 45 should be retired on the ROPS as funding is no longer required and these are duplicate obligations. Further, retired line items are excluded from the ROPS Detail form; therefore, these item numbers remain unavailable to use, as it is assigned to that specific retired obligation indefinitely.
- Claimed administrative costs exceed the fiscal allowance by \$24,309. HSC section 34171 (b) (2) limits fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is \$250,000. Although \$274,309 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$24,309 of excess administrative cost is not allowed.

In addition to the administrative costs being above the fiscal year administrative cap pursuant to HSC section 34171 (b) (3), Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in 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.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 1 – 2005 Tax Allocation Bonds in the amount of \$281,234, for ROPS A period. The Agency requests \$281,234 of RPTTF; however, Finance is reclassifying \$15 to Other Funds. This item is an enforceable obligation for the ROPS A period; however, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$281,219 and the use of Other Funds in the amount of \$15 totaling \$281,234.

Except for the items denied in whole, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$905,203 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

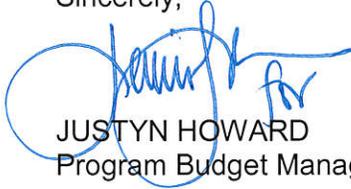
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for 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.

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Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, 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

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 1,060,174	\$ 227,796	\$ 1,287,970
Requested Administrative RPTTF	273,887	128,000	401,887
Total RPTTF requested for obligations on ROPS 16-17	1,334,061	355,796	\$ 1,689,857
Adjustment to Agency Requested RPTTF			
Item No. 16	41,600	0	41,600
Item No. 40	75,365	0	75,365
Item No. 41	10,613	0	10,613
	127,578	0	127,578
Adjustment to Agency Requested Administrative RPTTF			
Item No. 16	(41,600)	0	(41,600)
Item No. 40	(75,365)	0	(75,365)
Item No. 41	(10,613)	0	(10,613)
	(127,578)	0	(127,578)
Total RPTTF requested	1,187,752	227,796	1,415,548
Denied Items			
Item No. 11	(99,698)	0	(99,698)
Item No. 12	(533,054)	0	(533,054)
Item No. 16	(41,600)	0	(41,600)
Item No. 40	(75,365)	0	(75,365)
Item No. 41	(10,613)	0	(10,613)
	(760,330)	0	(760,330)
Reclassified Item			
Item No. 1	(15)	0	(15)
Total RPTTF authorized	427,407	227,796	\$ 655,203
Total Administrative RPTTF requested	146,309	128,000	274,309
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(24,309)	(24,309)
Total Administrative RPTTF authorized	146,309	103,691	\$ 250,000
Total RPTTF approved for distribution	573,716	331,487	\$ 905,203

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 1,154,385
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	904,385
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	274,309
Administrative Cost Allowance in excess of the cap	\$ (24,309)