



April 11, 2016

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

Dear Mr. Parsons:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Ridgecrest 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 February 2, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No.15 – Attorney Fees related to litigation costs with Finance in the amount of \$100,000 have been reclassified to the administrative cost allowance (ACA), and therefore, claimed administrative costs exceed the allowance by \$100,000. 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.

Additionally, HSC section 34171 (b) (3) limits fiscal year 2016-17 ACA to three percent of actual distributed Redevelopment Property Tax Trust Fund (RPTTF) in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF. As a result, the Agency is eligible for \$250,000 in ACA for the fiscal year 2016-17. Although \$250,000 is claimed for administrative cost, Item No.15 for attorney fees in the amount of \$100,000 is considered general administrative cost and should be counted towards the cap. Therefore, \$100,000 of excess administrative cost is not allowed.

- Item No. 18 – Wastewater Loan in the amount of \$2,504,615. Finance continues to deny this item. This item was denied as an enforceable obligation in Finance's ROPS 15-16B Meet and Confer determination letter. 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. Finance requested that the Agency provide additional documentation for this item, but none was provided during ROPS 16-17 review.

Therefore, this item is not an enforceable obligation and not eligible for the \$634,000 of Redevelopment Property Tax Trust Fund (RPTTF) requested for this ROPS period.

- Item No. 35 – Long-Range Property Management Plan (LRPMP) Implementation costs in the amount of \$15,760 is not allowed. Finance approved the Agency's LRPMP on October 6, 2015. It is our understanding the cost relates to the Ridgecrest Business Park, which was approved for transfer to the City of Ridgecrest for future development. Therefore the implementation costs are no longer an obligation of the Agency and not eligible for RPTTF funding.
- 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, with the Agency's concurrence the funding source for the following item has been reclassified to Other Funds and in the amount specified below:
 - Item No. 32 – ROPS 13-14B RPTTF shortfall in the amount of \$48,427 for the July 1, 2016 through December 31, 2016 (ROPS A period). The Agency requests \$48,427 of RPTTF; however, Finance is reclassifying \$3,000 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 \$45,427 and the use of Other Funds in the amount of \$3,000, totaling \$48,427.

Except for the items denied in whole or in part or the item that has been adjusted, 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 \$4,787,782 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, 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

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)	2,632,155	2,658,387	5,290,542
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	2,757,155	2,783,387	\$ 5,540,542
Total RPTTF Requested	2,632,155	2,658,387	5,290,542
<u>Denied Items</u>			
Item No. 18	(634,000)	0	(634,000)
Item No. 35	(15,760)	0	(15,760)
	(649,760)	0	(649,760)
<u>Reclassified Items</u>			
Item No. 15	(50,000)	(50,000)	(100,000)
Item No. 32	(3,000)	0	(3,000)
	(53,000)	(50,000)	(103,000)
Total RPTTF authorized	1,929,395	2,608,387	\$ 4,537,782
Total Administrative RPTTF requested	125,000	125,000	250,000
<u>Reclassified Items</u>			
Item No. 15	50,000	50,000	100,000
Total Administrative RPTTF after Finance adjustments	175,000	175,000	350,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(100,000)	(100,000)
Total Administrative RPTTF authorized	175,000	75,000	\$ 250,000
Total RPTTF approved for distribution	2,104,395	2,683,387	\$ 4,787,782

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 3,642,802
Less sponsoring entity loan and Administrative RPTTF	125,000
Actual RPTTF distributed for 2015-16 after adjustment	3,517,802
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	350,000
Administrative Cost Allowance in excess of the cap	\$ (100,000)