DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

Ms. Sylvia Miledi, Accountant
City of Needles
817 Third Street
Needles, CA 92363

Dear Ms. Miledi:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Needles Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 29, 2016. Finance issued a ROPS determination letter on April 11, 2016. 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 April 26, 2016.

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. 3 – Needles Town Center Administration Loan in the total outstanding obligation amount of $540,822. Finance continues to deny this item. The Agency was unable to provide sufficient documentation to support the 1984 loan, subject of City Resolution No. 8-20-84-5, which the Agency claims qualifies for repayment pursuant to HSC section 34171 (d) (2). The Agency submitted Needles Redevelopment Agency Resolution No. 9-22-98-1 RDA and Promissory Note from 1998; however, these documents do not support a loan agreement entered into within two years of the date of creation of the RDA. Therefore, this item is not an enforceable obligation and the requested amount of $108,102 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding for the ROPS 16-17 period. To the extent the Agency can provide suitable documentation, such as a loan agreement containing a repayment schedule entered into between the City of Needles (City) and the former redevelopment agency, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item No. 10 – Third Party Litigation Services in the amount of $20,000. Finance continues to reclassify this item to the Administrative Cost Allowance (ACA). It is our understanding the Agency has no current or pending litigation issues; and requesting funding for contingencies is an unallowable use of funds. However, the Agency is allocated funding for administrative costs, which may include general legal services.

Therefore, this item has been reclassified, and is now a general administrative cost payable from the Agency's ACA.

- The Agency's claimed administrative costs exceed the ACA by $114,269. Finance has recalculated the Administrative Cost Allowance based on additional information provided by the Agency. HSC section 34171 (b) (3) limits the fiscal year 2016-17 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. This amount is further reduced by the Agency's ACA and any loan repayments made to the City in the prior fiscal year. As a result, the Agency's maximum ACA is $155,731 for the fiscal year 2016-17. Although $270,000 is claimed for administrative cost, only $155,731 is available pursuant to the cap. Therefore, $114,269 of excess administrative cost is not allowed.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $521,281 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

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

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Bonnie Luttrell, Accountant, City of Needles
Ms. Linda Santillano, Property Tax Manager, San Bernardino 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)	$ 296,302	$ 197,350	$ 493,652
Requested Administrative RPTTF	125,000	125,000	250,000
Total Requested RPTTF on ROPS 16-17	$ 421,302	$ 322,350	**$ 743,652**
Total RPTTF Requested	296,302	197,350	**493,652**
Denied Item			
Item No. 3	(54,052)	(54,050)	(108,102)
Reclassified Item			
Item No. 10	(10,000)	(10,000)	(20,000)
Total RPTTF authorized	232,250	133,300	**$ 365,550**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Reclassified Item			
Item No. 10	10,000	10,000	20,000
Total Administrative RPTTF after Finance adjustments	135,000	135,000	270,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	0	(114,269)	(114,269)
Total Administrative RPTTF authorized	135,000	20,731	**$ 155,731**
Total RPTTF approved for distribution	288,770	133,300	**$ 521,281**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 414,252
Less sponsoring entity loan and Administrative RPTTF	102,789
Actual RPTTF distributed for 2015-16 after adjustment	311,463
Administrative Cap for 2016-17 per HSC section 34171 (b)	155,732
ROPS 16-17 Administrative RPTTF after Finance adjustments	270,000
Administrative Cost Allowance in excess of the cap	**$ (114,269)**