DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 11, 2012

Tyrell Staheli, Finance Director
City of Ridgecrest
100 W California Avenue
Ridgecrest, CA 93555

Dear Mr. Staheli:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Ridgecrest (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 1, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, items 3 and 4 – Loans with the City totaling $3.3 million. 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 unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. The RDA was created in 1985 and the two loans were signed in 2002 and 2010, respectively.

- Page 1, item 12 – Development loan program in the amount of $3.1 million. It is our understanding this project is in the planning phase and no contracts have been executed. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

- Page 2, items 1, 2, and 4 – contracts totaling $3.7 million. The documents provided show an obligation of the City and not the former RDA. The description of these items on the ROPS indicates the RDA is to provide match. However, the documents provided did not indicate a match requirement.

- Various contracts totaling $23.6 million. The City did not provide documents to show that the following items are EOs:
    - Page 1, item 17
    - Page 2 items 3, 5 through 8, and 11 through 18

- Administrative cost claimed exceeds allowance by $236,691. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. The administrative cost allowance calculation is shown in Attachment A.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

Mark Hill

MARK HILL
Program Budget Manager

Attachment

cc: Ms. Ann Barnett, Auditor-Controller-County Clerk, Kern County

Attachment A

Administrative Cost Allowance Calculation
For the Period January – June 2012

Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
1	1	2002 Tax Allocation Bonds	RPTTF	$ 474,250
2	1	2010 Tax Allocation Bonds	RPTTF	2,859,761
3	1	Wastewater Loan*	RPTTF	205,000
4	1	Wastewater Loan*	RPTTF	644,254
5	1	2005 COP (Building Lease)	RPTTF	741,146
6	1	Jail Operations/Maintenance	RPTTF	265,000
7	1	2002 Tax Allocation Bonds-admin fee	RPTTF	3,000
10	1	Public Safety improvement	RPTTF	175,800
11	1	Agency held property	RPTTF	105
12	1	Development Loan Program*	RPTTF	100,000
16	1	Los Income Mortgage Assistance	RPTTF	38,000
17	1	Kern County Tax Credit*	RPTTF	2,547,564
			Subtotal:	8,053,880
			Less Disallowed RPTTF Amounts (see line items with asterisk above):	3,496,818
			Total RPTTF Claimed:	4,557,062
			5% x Total RPTTF Claimed:	227,853
			Admin Allowance (Greater of 5% or $250,000) :	$ 250,000

Line items qualifying as administrative costs				
Line item	**Page**	**Project Name/Debt Obligation**	**Payment Source**	**Amount**
13	1	Agency Dissolution Analysis	RPTTF	$ 8,399
14	1	Profiles	RPTTF	6,600
15	1	Annual Redevelopment Report	RPTTF	800
1-3	3	Admin allowance allocation	RPTTF	470,892
			Total:	486,691
			Admin Allowance:	$ 250,000
			Unallowable Admin Amount (Total - Admin Allowance):	$236,691