



Transmitted via e-mail

April 15, 2022

Cheri Freese, Finance Director
City of Ridgecrest
100 West California Avenue
Ridgecrest, CA 93555

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Ridgecrest Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 31, 2022. Finance has completed its review of the ROPS 22-23.

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

- Item No. 13 - Employee Costs. Payments for these types of services are considered a general administrative cost and thus, \$250,000 has been reclassified to Administrative Redevelopment Property Tax Trust Fund (RPTTF).
- Item No. 38 – Senior Housing Loan repayment in the amount of \$3,290,403 is partially allowed. It is our understanding the requested amount consists of \$3,000,000 to reimburse the City of Ridgecrest (City) and \$290,403 in litigation costs. Finance denies the \$3,000,000 request to reimburse the City. The Court of Appeal, Third District for Case No. C084574 issued a final judgment confirming the loan commitment letter dated March 23, 2011 between the former Ridgecrest Redevelopment Agency and Ridgecrest Pacific Associates (Developer) is to be recognized as an enforceable obligation. While Finance agrees the judgment determined the loan commitment letter created an enforceable obligation, Finance notes the Agency's current request is to reimburse the City and does not seek to loan the Developer funds, as contemplated in the loan commitment letter. Therefore, the Agency's current request is inconsistent with the judgment and the requested amount of \$3,000,000 in RPTTF funding is not allowed.

The Agency obtained a final judicial determination granting relief requested for Case No. C084574. Therefore, the requested amount of \$290,403 in litigation costs are approved for RPTTF funding pursuant to HSC section 34171 (d) (1) (F) (ii).

- Item No. 39 - Wastewater Loan repayment in the amount of \$1,242,802 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Kern County, County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2021-22 are \$2,927,831 and \$5,066,166, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 22-23 period is \$1,069,168. Therefore, of the \$1,242,802 requested, \$173,634 (\$1,242,802- \$1,069,168) is not eligible for RPTTF funding. The Agency may be eligible for additional funding on subsequent ROPS.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,136,084, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted items, Finance approves the remaining items listed on the ROPS 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 22-23 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 22-23 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Todd Vermillion, Supervisor, or Matthew Gonzalez, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Kyle Westra, Consultant, City of Ridgecrest
Mary Bedard, Auditor-Controller, Kern County

Attachment

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 5,929,582	\$ 1,380,163	\$ 7,309,745
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	5,929,582	1,380,163	7,309,745
RPTTF Requested	5,929,582	1,380,163	7,309,745
<u>Adjustment(s)</u>			
Item No. 13	(125,000)	(125,000)	(250,000)
Item No. 38	(3,000,000)	0	(3,000,000)
Item No. 39	(173,634)	0	(173,634)
	(3,298,634)	(125,000)	(3,423,634)
RPTTF Authorized	2,630,948	1,255,163	3,886,111
Administrative RPTTF Requested	0	0	0
<u>Adjustment(s)</u>			
Item No. 13	125,000	125,000	250,000
Adjusted Administrative RPTTF	125,000	125,000	250,000
Administrative RPTTF Authorized	125,000	125,000	250,000
ROPS 19-20 prior period adjustment (PPA)	(27)	0	(27)
Total RPTTF Approved for Distribution	\$ 2,755,921	\$ 1,380,163	\$ 4,136,084