



April 15, 2014

Ms. Vanessa Martinez, Assistant Finance Director
City of Adelanto
11600 Air Expressway
Adelanto, CA 92301

Dear Ms. Martinez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Adelanto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 15 – Adelanto Improvement Project 3 in the amount of \$3,056,314 is not an enforceable obligation. A Finding of Completion was issued on October 3, 2013, and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, the Agency did not provide sufficient documentation to support the six-month expenditures. To the extent the Agency can provide proper documentation, such as third party estimates or construction schedules to support the requested funding, the Agency may be able to obtain Bond Proceeds funding on a future ROPS.
- Item Nos. 25 and 27 (Agency reported Item Nos. 16 and 18) – Long Range Property Management Plan (LRPMP) preparation costs totaling \$30,000. It is our understanding the Agency expended Reserve Balances to fund LRPMP preparation costs during the January through July 2014 (ROPS 13-14B) period, and requests Redevelopment Property Tax Trust Fund (RPTTF) funding for the ROPS 14-15A period to reimburse its Reserve Balances. The Agency did not request funding during ROPS 13-14B, nor did Finance authorize the use of Reserve Balances for these items. The Agency is not permitted to receive RPTTF for obligations which have already been funded by another funding source. Therefore, the request for RPTTF is not allowed.

Finance reminds the Agency that pursuant to HSC section 34177 (a) (3), only those payments listed in the ROPS may be made by the Agency and only from the funds specified in the ROPS.

- Item No. 26 – Victor Valley Community College (VVCC) Pass-Through payment in the amount of \$25,896. The Agency provided a demand letter from VVCC that requested payments of underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

The Agency assigned retired line item numbers to new line items on the ROPS Analysis spreadsheet. As a result, Finance made the following corrections:

- Item No. 16 – Long Range Property Plan in the amount of \$15,000 has been corrected to Item No. 25.
- Item No. 17 – Underpayment of Pass-through in the amount of \$25,896 has been corrected to Item No. 26.
- Item No. 18 – Long Range Property Plan in the amount of \$15,000 has been corrected to Item No. 27.

Items which no longer require funding should be classified as “retired” but retain the number assigned to the obligation on the ROPS. Furthermore, item numbers may only be used once and new obligations of the Agency should be listed with the next available sequential number. The item numbers referenced above reflect the corrected numbering sequence, as well as the Agency reported item numbers for record keeping purposes.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds in the amount of \$200,433 and available Reserve Balances in the amount of \$3,503,487. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

Therefore, the funding sources for the following items have been reclassified to Other Funds and Reserve Balances in the amounts specified below:

- Item Nos. 1 through 5 – Various Tax Allocation Bonds debt service payments totaling \$2,595,739 for payments due July through December 2014. The Agency requests \$2,595,739 from RPTTF; however, Finance is reclassifying \$200,433 to Other Funds and \$2,395,306 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$200,433 in available Other Funds and \$3,503,487 in available Reserve Balances. Therefore, Finance is approving Other Funds in the amount of \$200,433 and the use of Reserve Balances in the amount of \$2,395,306, totaling \$2,595,739 for these items.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments)

associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations and for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$125,000 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	2,651,635
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,776,635
Total RPTTF requested for non-administrative obligations	2,651,635
<u>Denied Items</u>	
Item No. 25	(15,000)
Item No. 26	(25,896)
Item No. 27	(15,000)
	(55,896)
Total RPTTF for non-administrative obligations	2,595,739
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(916,675)
Item No. 2	(107,160)
Item No. 3	(826,983)
Item No. 4	(588,588)
Item No. 5	(156,333)
	(2,595,739)
Total RPTTF authorized for non-administrative obligations	\$0
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 125,000
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 125,000

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for

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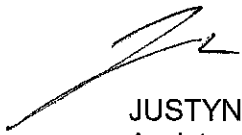
future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Onyx Jones, Interim Finance Director, City of Adelanto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office