



December 17, 2014

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

Dear Ms. Martinez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 10, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Adelanto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 30, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 10, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 24, 2014.

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 items being disputed.

- Item No. 1 – Adelanto Improvement Project Tax Allocation Refunding Bonds, Series 1993B in the amount of \$1,161,500. Finance no longer reduces this item. The bond indenture requires prefunding of the bond series one year in advance. HSC section 34171(d) (1) permits the creation of reserve if required by the bond indenture.

Union Bank, Trustee, confirmed in a letter dated April 23, 2014, that sufficient funds had been received to pay principal and interest on the 1993B bonds through December 1, 2014. Therefore, during the July through December 2014 (ROPS 14-15A) meet and confer, Finance reclassified this item to those Reserve Balances on hand with the Trustee. The Trustee letter also indicated that \$1,161,500 would be needed on or after December 2, 2014 for payment of principal and interest due on June 1 and December 1, 2015. Therefore, Finance is approving this item in the amount of \$1,161,500 to ensure the Agency meets its 1993 debt service obligations.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional funds requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 14-15B debt service payments prior to making any other payments on approved ROPS items. Any requests

to fund these reserves again in the ROPS 15-16A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 14-15B period and the reserve amounts requested in ROPS 14-15B for the ROPS 15-16A debt service payments.

- Item No. 6 – County of San Bernardino Tax Increment Loan in the amount of \$22,275,843. Finance no longer denies this item. Finance previously determined insufficient documentation was provided to support the amount claimed. The Agency provided an Amended and Restated Agreement for the Allocation of Tax Increment dated September 26, 1995 between the former redevelopment agency (RDA), the City of Adelanto (City), the County of San Bernardino (County), the San Bernardino County Flood Control District, and the County Free Library System. Based on further review of the agreement, it appears the Agency does have an obligation to repay the County a deferred loan amount. Therefore, this item is approved as an enforceable obligation on the ROPS 14-15B. We note that Finance will continue work with the Agency to determine the actual outstanding balance of the County loan.
- Item No. 7 – Intermountain Power Agency Settlement Agreement in the amount of \$1,989,390. Finance continues to deny this item. The Agency provided an agreement between the former RDA, the City, and Intermountain Power Agency (IPA) dated April 1993. In the agreement, the City and the former RDA are collectively defined as the “City.” Finance originally denied this item because the settlement agreement was not sufficient to support the requested amount because a total outstanding amount and payment terms were not provided. During the Meet and Confer process, the Agency contended that the former RDA’s repayment obligation under the agreement is based on the location of the Adelanto Converter Station. Section IV states that the “City” agrees to reimburse IPA up to \$2,200,000 in amounts IPA calculates. However, the agreement does not specify how the payments are to be divided between the parties that make up the “City” nor does it pledge the former RDA’s tax increment as the source of the payments. Under the terms of the agreement, it is unclear what, if any, obligation the Agency has in regards to making the payments. Therefore, this item is not an enforceable obligation and not eligible for RPTTF.

In addition, per Finance’s letter dated November 10, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 8 – Note Payable to the City in the amount of \$2,524,243 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency’s oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on October 2, 2013. However, the oversight board has not approved the loan or made a finding the loan was for legitimate redevelopment purposes. Therefore, this item is not eligible for funding at this time. Once the oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes and the corresponding OB action is approved by Finance, the Agency may be able to request funding for this item on future ROPS.

- Item No. 15 – Adelanto Improvement Project 3 in the amount of \$3,056,314 is not allowed at this time. No documentation was provided to support the amount claimed. To the extent the Agency can provide suitable documentation such as an executed or draft contract, agreement, or vendor invoices to support the requested funding, the Agency may be able to obtain Bond Proceeds funding on future ROPS.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,717,264 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	2,637,698
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,762,698</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,637,698</b>
<b>Denied Items</b>	
Item No. 7	(20,025)
Item No. 8	(25,409)
	(45,434)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,592,264</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,717,264</b>
ROPS 13-14B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,717,264</b>

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. 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 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting 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