



November 10, 2015

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) (1) (A), the City of Adelanto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 7 – Intermountain Power Agency Settlement Agreement in the amount of \$19,722 requested for ROPS 15-16B and total outstanding amount of \$1,989,390 is not allowed. Finance continues to deny this item. As noted in our letter of determination dated December 17, 2014, the agreement between the former redevelopment agency (RDA), the City of Adelanto (City), and Intermountain Power Agency dated April 1993 is not sufficient to support the obligation. To the extent the Agency can provide suitable documentation to support the outstanding amount and the Agency's obligation to pay the amount, the Agency may be able to obtain funding in future ROPS.
- Item No. 8 – Note Payable to the City in the amount of \$25,025 requested for ROPS 15-16B and total outstanding amount of \$2,524,243 is not allowed. Pursuant to HSC section 34191.4 (b) (1), loan agreements between the former RDA and sponsoring entities 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 (OB) 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 as an enforceable obligation, or made a finding the loan was for legitimate redevelopment purposes. Therefore, this ROPS item is not eligible for funding at this time. Once the OB 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 in the future.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of Redevelopment Property Tax Trust Fund approved in the table below only reflects the Agency's self-reported prior period adjustment

- In addition, Finance noted the Agency's expenditures on the ROPS 14-15B prior period worksheet were made without Finance authorization. The Agency spent Other Funds totaling \$324,479 for administrative costs (\$124,992) and other obligations (\$199,487).

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$836,962 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	1,689,969
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 1,814,969
Total RPTTF requested for non-administrative obligations	1,689,969
<u>Denied Items</u>	
Item No. 7	(19,722)
Item No. 8	(25,025)
	(44,747)
Total RPTTF authorized for non-administrative obligations	\$ 1,645,222
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,770,222
Total ROPS 14-15B PPA	(933,260)
Total RPTTF approved for distribution	\$ 836,962

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please 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 obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 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 Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Larry Jarvis, Senior Management Analyst, City of Adelanto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County