



December 18, 2012

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 Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 26, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Adelanto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 12, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 26, 2012. 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 Wednesday, November 14, 2012.

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 items being disputed.

- Item No. 8 – Note Payable to the City of Adelanto in the amount of \$2.5 million. Finance continues to deny this item. Finance denied the item as HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The loan agreement was entered into on September 24, 2003 and not within 2 years of its creation in 1977. Furthermore, the agreement does not specify dollar amounts to be loaned or advanced or specific repayment terms. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply and this item is not an enforceable obligation at this time. However, per HSC section 34191.4 (b), upon obtaining a Finding of Completion from Finance, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created the redevelopment agency shall be deemed to be enforceable obligations provided the oversight board makes a finding the loan was for legitimate redevelopment purposes.
- Item 1 - Adelanto Improvement Project, Tax Allocation Bonds totaling \$264,138. As noted below, Finance denied Item 22d; however, as per HSC section 34171 (d) (1) (A), a reserve may be held to pay bond obligations due under the provisions of the bond. During the Meet and Confer, the Agency requested reconsideration of this item and demonstrated a shortage of available funds to make debt service payments; therefore, Finance approves a total of \$1,611,070 in RPTTF funding for Item 1 to pay indebtedness

obligations. The amount is reflected in the Approved Redevelopment Property Tax Trust Fund (RPTTF) table below.

- Item No. 22 – ROPS July through December 2012 in the amount of \$1.3 million. This item is related to the shortage of bond debt service payment. Because the item has been addressed in Item 1 above, we continue to deny Item 22.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,041,421 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 4,263,353
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 10*	6,000
Item No. 12*	12,000
Item No. 22	1,346,932
Total approved RPTTF for enforceable obligations	<u>\$ 2,898,421</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>143,000</u>
Total RPTTF approved:	\$ 3,041,421

*Reclassified as an administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

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

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Ms. Onyx Jones, Interim Finance Director, City of Adelanto
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County