



May 16, 2014

Ms. Kelly Ent, Director of Administrative Services
City of Big Bear Lake
PO Box 10000
Big Bear Lake, CA 92315

Dear Ms. Ent:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Big Bear Lake Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 11, 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 May 1, 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 item being disputed.

- Item No. 17 – Litigation costs payable to the City of Big Bear Lake (City). Finance continues to deny this item. The Agency claims the City paid litigation invoices on behalf of the Agency until the amount could be included on a ROPS; however, the Agency did not enter into a loan agreement that was presented to the oversight board and submitted to Finance for review and approval.
- Item No. 18 – Litigation Costs totaling \$30,000. Finance no longer denies this item and increases the amount to the total amount of \$90,000. The Agency entered into an Agreement on December 14, 1998 for City Attorney Legal Services. Per Section 1 of the recitals, the agreement included litigation services. In addition, the Agency provided Amendment 4 to the agreement dated March 31, 2014 to clarify that services provided to the "City" includes the former redevelopment, now the Agency. In addition, the Agency provided documentation to support the requested amount is for previously incurred and estimated future costs. We note, these litigation costs were not requested on previous ROPS.
- Item No. 19 – Other Funds and Accounts (OFA) Due Diligence Review (DDR) in the amount of \$117,054. Finance continues to deny this item. This request is related to an adjustment made on the Agency's OFA DDR which the Agency claims resulted in an overpayment of OFA balances to the County Auditor Controller for distribution to the affected taxing entities. However, this item does not meet the definition of an

enforceable obligation as defined in HSC section 34171 (d). Therefore, this line item is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 11, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 1 – 1998 Refunding Certificates of Participation (COP), in the amount \$860,890, is not an obligation of the Agency. The official statement of the COP requires the City to pay to the Trustee the lease payments from the use of the site. Further, it is our understanding no revenues of the former redevelopment agency (RDA) are pledged for this item. Therefore, this line item is not an enforceable obligation and is not eligible for Other Funds on the ROPS.

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 Reserve Balances totaling \$11,420. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 3 – 2005 Revenue Bonds in the amount of \$925,652. The Agency requests \$63,663 from RPTTF; however Finance is reclassifying \$11,420 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$11,420 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$52,243 and the use of Other Funds in the amount of \$11,420, totaling \$63,663.

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 the items denied in whole or in part as enforceable obligations or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$927,308 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	944,265
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,069,265
Total RPTTF requested for non-administrative obligations	944,265
<u>Denied Items</u>	
Item No. 17	(60,000)
Item No. 19	(117,054)
<u>Increased Item</u>	
Item No. 18	60,000
Total Adjustments	(117,054)
Total RPTTF for non-administrative obligations	827,211
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 3	(11,420)
Total RPTTF authorized for non-administrative obligations	\$ 815,791
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 940,791
ROPS 13-14A prior period adjustment	(13,483)
Total RPTTF approved for distribution	\$ 927,308

Please refer to the ROPS 14-15A 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 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 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.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Erica Stephenson, Finance Supervisor, City of Big Bear Lake
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office