



April 14, 2013

Ms. Bonnie Johnson, Management Services Director
City of Colton Successor Agency
650 North La Cadena Drive
Colton, CA 92324

Dear Ms. Johnson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Colton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Item Nos. 34 through 39 – Supplemental Educational Revenue Augmentation Fund (SERAF) Loans, totaling \$1,903,927, payable from Reserve Balances, are not allowed at this time. Pursuant to HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized in each fiscal year, combined with the repayment of recognized sponsoring entity loans, shall be equal to one-half of the increase between the amount distributed to the taxing entity as residual in that fiscal year, and the amount distributed to the taxing entity as residual in the 2012-13 base year. Therefore, the Agency will need to obtain the 2013-14 residual amounts in order to compute the repayment amounts. As required by HSC section 34191.4 (b) (2) (A), the 2013-14 residual amounts should be based on the actual amount, not on an estimated amount. Therefore, the 2013-14 amounts will be based on the ROPS 13-14A and ROPS 13-14B distributions. Consequently, the Agency may be able to request funding for the SERAF loans beginning with ROPS 14-15A.
- Item Nos. 40 through 46 – Various Pass-Through Payments totaling \$10,019,712, payable from Reserve Balances. HSC section 34183 (a) (1) requires the county auditor-controller to make required pass-through payments starting with the July through December 2012 ROPS. Therefore, these items are not eligible for funding on ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$3,506,519 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 3,381,519
Minus: Six-month total for items denied or reclassified as administrative cost No RPTTF item denied	-
Total approved RPTTF for enforceable obligations	\$ 3,381,519
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 3,506,519

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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 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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'SZALAY', with a long, sweeping underline that extends to the left.

STEVE SZALAY
Local Government Consultant

cc: Ms. Jessica Hurst, Accounting Manager
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office