

April 9, 2014

Ms. Bonnie Johnson, Management Services Director  
City of Colton  
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 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item Nos. 34 through 39 – Low and Moderate Income Housing Fund (LMIHF) loan repayments for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) totaling \$1,903,927 are not allowed.

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$3,412,141 and \$2,946,349, respectively. Therefore, pursuant to the repayment formula, no repayment amount is authorized for fiscal year 2014-15. The Agency may be eligible for additional funding beginning ROPS 15-16A.

- Item Nos. 42, 48 and 49 – Various pass-through payments totaling \$28,190. The Agency provided demand letters from San Bernardino County Superintendent of Schools (SBCSS), San Bernardino Community College District (SBCCD), and Rialto Unified School District that requested underfunded pass-throughs. SBCSS and SBCCD demand letters cited a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision. Because the Agency has not shown that requested payments are binding or decrees, these items are not enforceable obligations and are not eligible for RPTTF funding.

- Item Nos. 50 through 52 – Various City of Colton (City) loans totaling \$3,823,860 are not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (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 May 16, 2013. Oversight Board (OB) Resolution No. OB-02-14 approving the 2005 Redevelopment Cooperation Agreement between the former RDA and Colton Utility Authority, the 2007 Redevelopment Cooperation Loan Agreement for the West Valley Redevelopment Project Area between the City and RDA and the 2007 Redevelopment Loan Agreement for the Rancho/Mill Redevelopment Project Area between the City and RDA totaling \$3,823,860 is an enforceable obligation and finding the loans were for legitimate redevelopment purposes, was partially approved. The Agency was unable to provide an executed loan agreement for the Rancho/Mill Redevelopment Project Area loan.

Additionally, according to the San Bernardino County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$3,412,141 and \$2,946,349, respectively. Therefore, pursuant to the repayment formula, no repayment amount is authorized for fiscal year 2014-15. Finally, pursuant to HSC 34191.4 (b) (2), the amounts borrowed from the LMIHF or SERAF take priority over the City loan repayments. The Agency may be eligible for funding beginning ROPS 15-16A.

- Item No. 53 – Housing Successor Entity Administrative Allowance in the amount of \$600,000 is not an enforceable obligation. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Colton (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, \$600,000 of housing entity administrative allowance is not allowed.

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 items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,479,729 as summarized below:

<b>Approved RPTTF Distribution For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	9,119,209
Total RPTTF requested for administrative obligations	200,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 9,319,209</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>9,119,209</b>
<u>Denied Items</u>	
Item No. 34	(75,000)
Item No. 35	(442,977)
Item No. 36	(50,000)
Item No. 37	(450,000)
Item No. 38	(442,975)
Item No. 39	(442,975)
Item No. 42	(10,438)
Item No. 48	(1,451)
Item No. 49	(16,301)
Item No. 50	(2,073,000)
Item No. 51	(1,554,033)
Item No. 52	(199,827)
	(5,758,977)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 3,360,232</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>200,000</b>
<u>Denied Item</u>	
Item No. 53	(75,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 3,485,232</b>
ROPS 13-14A prior period adjustment	(5,503)
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,479,729</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

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

<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 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.

Please direct inquiries to Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Jessica Hurst, Accounting Manager, City of Colton  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County  
California State Controller's Office