



April 14, 2015

Ms. Anita Agramonte, Finance Director
City of Colton
650 North La Cadena Drive
Colton, CA 92324

Dear Ms. Agramonte:

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 15-16A) to the California Department of Finance (Finance) on March 2, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

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

- Item Nos. 1 through 4 – Various debt service payment obligations totaling \$3,312,426 have been reclassified from Redevelopment Property Tax Trust Funds (RPTTF) to Reserve Balances. During ROPS 14-15B, the Agency requested, and Finance approved, the creation of reserves for debt service payments due July 1, 2015 through December 31, 2015, pursuant to HSC section 34171 (d) (1) (A). According to the San Bernardino County Auditor-Controller's report, the Agency received sufficient RPTTF to create the debt service payment reserves as described above. Therefore, these items have been reclassified from RPTTF to Reserve Balances, and in the amounts specified below:
 - Item No. 1 – 1998 Tax Allocation Bonds Series A and B. The Agency requested \$2,493,118; however, Finance has reclassified \$2,493,118 to Reserve Balances.
 - Item No. 2 – 1999 Tax Allocation Bonds. The Agency requested \$289,179; however, Finance has reclassified \$289,179 to Reserve Balances.
 - Item No. 3 – 2004 Tax Allocation Bonds: The Agency requested \$393,109; however, Finance has reclassified \$393,109 to Reserve Balances.
 - Item No. 4 – CIEDB loan Agreement: The Agency requested; however, Finance has reclassified \$137,020 to Reserve Balances.

- Item Nos. 34 through 39 – Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayments totaling \$1,903,927.

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 2014-15 are \$3,412,141 and \$1,380,974, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2015-16 is \$0. Therefore, the SERAF loan repayments are not eligible for funding on this ROPS. The Agency may be eligible for funding beginning ROPS 16-17A.

- Item No. 55 – West Valley Project Area Loan repayment in the amount of \$1,554,033 is not allowed. The Agency received a Finding of Completion on May 16, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1).

As described above, pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2015-16 is \$0. Therefore, the West Valley Project Area Loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for funding beginning ROPS 16-17A.

- Item Nos. 63, 64, and 67– Agency's Administrative Cost Allowance (ACA) shortfall totaling \$289,905. It is our understanding the Agency is requesting funding for these line items to recover prior period ACA shortfall due to insufficient RPTTF. Though the Agency requested ACA funding for these items, Finance has reclassified them to non-administrative RPPTF funding.
- Item No. 65 – Tax Allocation Bonds Arbitrage Fees in the amount of \$1,250 is not allowed. According to the Agency, Line Item No. 8 was not requested in ROPS 13-14B; however, the Agency made a payment of \$1,250. The Agency provided a remittance advice and an invoice dated April 22, 2014 to support the amount requested this period. According to the invoice, the payment relates to services rendered April 14, 2013 through April 14, 2014.

During the ROPS 13-14A period, the Agency requested and Finance authorized \$3,750 for Item No. 8 on the ROPS. The Agency subsequently reported an actual expenditure of \$3,750 for the line item on the ROPS 13-14A prior period adjustment report. As the annual amount has already been requested and authorized, the request for funding this period would be duplicative. Therefore, this item is not eligible for RPTTF funding on the ROPS.

- Item No. 66 – Appraisal Report in the amount of \$3,000 is not allowed. The Agency requested funding for this item during ROPS 13-14B; however, due to insufficient

documentation, Finance denied the request. The Agency subsequently reported an actual expenditure of \$3,000 for this obligation on the ROPS. It is our understanding that the Agency has paid the item without Finance authorization. Therefore, because Finance did not authorize this item as enforceable, and because the item has already been fully funded, it is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$749,733 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	7,109,034
Total RPTTF requested for administrative obligations	415,335
Total RPTTF requested for obligations on ROPS	\$ 7,524,369
Total RPTTF requested for non-administrative obligations	7,109,034
<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. 55	(1,554,033)
Item No. 65	(1,250)
Item No. 66	(3,000)
	<u>(3,462,210)</u>
<u>Reclassified Items</u>	
Item No. 63	125,000
Item No. 64	70,608
Item No. 67	94,727
	<u>290,335</u>
<u>Items Reclassified to Reserve Balances</u>	
Item No. 1	(2,493,118)
Item No. 2	(289,179)
Item No. 3	(393,109)
Item No. 40	(137,020)
	<u>(3,312,426)</u>
Total RPTTF authorized for non-administrative obligations	\$ 624,733
Total RPTTF requested for administrative obligations	415,335
<u>Reclassified Items</u>	
Item No. 63	(125,000)
Item No. 64	(70,608)
Item No. 67	(94,727)
	<u>(290,335)</u>
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 749,733
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 749,733

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except for the absence of a complete reconciliation of the Agency general ledger cash balances to the cash balance report. Therefore, as noted above, Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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 15-16B.

Please refer to the ROPS 15-16A 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, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Program Budget Manager

cc: Ms. Altheia Franklin, Senior Accountant, City of Colton
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office