



December 18, 2012

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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Colton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 12, 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 November 19, 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 specific item being disputed.

- Item No. 21—Affordable Senior Housing Project in the amount of \$3.95 million funded by RPTTF. Finance continues to deny the item. Finance denied the item as HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Colton Housing Authority assumed all the housing functions, this item is now the obligation of Colton Housing Authority. Furthermore, HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011; the contract was executed on July 17, 2012. The Agency contends the item is an enforceable obligation because in 2005, the former RDA adopted a Replacement Housing Plan pursuant to HSC section 33413.5 regarding this project. In 2008, the former RDA reaffirmed its Replacement Housing Plan in anticipation of demolition and the building was demolished in 2008. In 2009, the former RDA issued a request for qualification for a developer to pursue the replacement of the affordable senior housing project. In spring 2011, the former RDA selected a qualified developer for the project. However, the contract was executed on July 17, 2012. Obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of statutory obligations; to the extent any continue to be applicable. To conclude that such costs

should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 10 and 11—Reassessment District Administrative Costs in the total amount of \$4,051 funded by RPTTF. Finance is reclassifying these items as administrative costs. Finance denied the items as HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The Agency contends these items are costs related to bonded indebtedness. However, the items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.
  - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, these items are not enforceable obligations and are subject to the administrative cost allowance. The Agency's administrative cost allowance for the ROPS III period is \$125,000. However, as a result of the reclassification of Items 10 and 11, the Agency's administrative cost has been exceeded by \$4,051.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,174,272 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 3,053,323
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 10*	3,411
Item 11*	640
Item 21	2,000,000
Total approved RPTTF for enforceable obligations	\$ 1,049,272
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 1,174,272</b>

\*Reclassified as administrative costs

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.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

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