



April 18, 2013

Ms. Lisa Strong, Deputy City Treasurer  
City of Fontana  
8353 Sierra Avenue  
Fontana, CA 92335

Dear Ms. Strong:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fontana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 4, 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. 2, 3, 7, 11, 15, 19, 20, 23, 27, 28, 31, 34, 37 and 38 – Various Tax Allocation Bonds, Refunding Bonds, and Revenue Bonds totaling \$23,966,727; payable from Reserve Balances. According to the Agency, these items are not obligations due within the ROPS 13-14A period; and were included on the ROPS for informational purposes only. Therefore, these items are not eligible for funding on this ROPS.
- Item Nos. 40 through 42 – 2003 PFA Lease Revenue Bonds totaling \$3,431,478, \$2,288,075 payable from Redevelopment Property Tax Trust Fund (RPTTF) funds, and \$1,143,403 payable from Reserve Balances. This bond is secured solely through lease payments of the City of Fontana. There is no requirement to fund this bond through tax increment. Therefore, these line items are not eligible for RPTTF or Reserve funding on the ROPS, however these items are approved for funding from other funding sources. Specifically, the lease payments paid by the City of Fontana.
- Claimed administrative costs exceed the allowance by \$145,883. HSC section 34171(b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$835,431 in administrative expenses. Although \$850,814 is claimed for administrative cost, Item Nos. 65, 66 and 69 totaling \$130,500 are considered general administrative expenses and should be counted toward the cap. Therefore, \$145,883 of excess administrative cost is not allowed.

Furthermore, as requested by the Agency, Finance reviewed Item No. 54 – Young Contractors, Inc. for the Fire Station Proonject in the amount of \$250,000. This item was previously denied on the January through June 2013 ROPS (ROPS III). Finance reviewed documents provided by the Agency subsequent to the ROPS III Meet and Confer session. However, Finance continues to deny this item for the following reasons. The Tax Sharing Agreement, dated November 23, 1993, does not support an obligation to Young Contractors, Inc. The Improvement and Renovation Project for the Fire Station contract was entered into between the City of Fontana (City), and Young Contractors, Inc. The former redevelopment agency (RDA) is neither a party to the contract nor responsible for payment of the contract.

Instead, the Tax Sharing Agreement, between the RDA and the Central Valley Fire Protection District, allows the Agency, as solely determined by the Agency, to contribute an amount not to exceed \$2.5 million, toward the cost of land and capital improvements for the construction of a replacement for Fire Station No. 71, to be completed no later than 7 years from the date of the November 1993 Tax Sharing Agreement.

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/](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 \$25,957,361 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 28,360,467
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 40	382,263
Item 54	-
Item 65*	105,000
Item 66*	5,000
Item 69*	20,500
Total approved RPTTF for enforceable obligations	\$ 27,847,704
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	835,431
Minus: ROPS II prior period adjustment	(2,725,774)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 25,957,361</b>

\*Reclassified as administrative cost

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.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana  
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County  
California State Controller's Office