



REVISED

January 3, 2014

Ms. Lisa Strong, Management Services Director
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Dear Ms. Strong:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14B) determination letters dated November 14, 2013 and December 17, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fontana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 30, 2013, for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 determinations were made:

- Item Nos. 1, 14, 17, 18, 22, 26, 30, 33 and 36 – Various Tax Allocation Revenue Bonds and Tax Allocation Refunding Bonds totaling \$12,207,259 should be increased to \$12,321,877; however, only \$10,388,496 is payable with Redevelopment Property Tax Trust Fund (RPTTF) funding. Therefore, as further discussed below, total RPTTF requested is reduced by \$1,818,763 (\$12,207,259 - \$10,388,496) and the remaining \$1,933,381 (\$12,321,877 - \$10,388,496) in debt service is allowed from reserve funds.

The Agency had been requesting one half of the total annual debt service on each ROPS on a fiscal year basis. Because debt service payments are on a calendar year basis, the Agency's request on this ROPS is for the remaining 2013 debt service payments. Our review indicates the Agency made debt service payments during the July through December 2013 ROPS period (ROPS 13-14A) from RPTTF reserves accumulated in the January through June 2013 ROPS period (ROPS III) and the ROPS 13-14A RPTTF distribution. The Agency acknowledged that those payments were made from reserves and that the amounts requested on this ROPS should be adjusted to reflect half the actual debt service payments due during the 2014 calendar year. As such, the Agency is approved to receive the following amounts in RPTTF for the debt service payments:

- Item No. 1 – 2000 Tax Allocation Refunding Bonds-\$454,750
- Item No. 14 – 2001 Tax Allocation Revenue Bonds Series A-\$394,282

- o Item No. 17 – 2003 Tax Allocation Revenue Bonds Series A-\$1,315,164
- o Item No. 18 – 2003 Tax Allocation Revenue Bonds Series B-\$345,307
- o Item No. 22 – 2005 Subordinate Tax Allocation Bonds Series A-\$4,194,363
- o Item No. 26 – 2004 Tax Allocation Bonds-\$460,675
- o Item No. 30 – 2007 Tax Allocation Bonds-\$1,288,644
- o Item No. 33 – 1998 Tax Allocation Refunding Bonds-\$1,345,020
- o Item No. 36 – 2003 Subordinate Tax Allocation Bonds-\$590,291

Our calculation also indicates the Agency has \$1,933,381 in reserves remaining after ROPS 13-14A debt service payments. The Agency should apply this to ROPS 13-14B debt service payments pursuant to HSC section 34177 (l) which states that RPTTF may only be identified as a funding source to the extent no other funding source is available. Therefore, the Agency will be permitted to expend \$1,933,381 from reserves for Item 14, 2001 Tax Allocation Revenue Bonds Series A for a total payment of \$2,327,663.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, any additional funds to be held in reserve should be transferred to the bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

- Item Nos. 6 and 10 –Tax Allocation Bonds, 1997 and 1999 Series A. These items are being increased from \$0 each, to \$2,293,960 and \$415,550, respectively. The Agency did not request any amounts for these items; however, it came to our attention that the Agency does have interest payments due on both of these bonds during the ROPS 13-14B period. As such, the amounts for Items 6 and 10 have been increased to reflect the actual amount owed during the ROPS 13-14B and provide the Agency the proper authority to make the debt service payments. The Agency did not elect to receive half of the annual debt service payments for these bonds because of other ROPS items.
- The Agency's claimed administrative costs have been increased by \$28,869 to \$658,249. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Bernardino County Auditor Controller's Office distributed \$846,899 administrative costs for the July through December 2013 period, thus leaving a balance of \$658,249 available for the January through June 2014 period. The Agency claimed \$629,380 for administrative costs; however, due to the increased line items listed above, the Agency is eligible for additional administrative costs. As such, the administrative costs have been increased by \$28,869.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$5,594,936.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Other Funds and in the amounts specified below:

- Item No. 51 – Owner Participation Agreement with Ten Ninety Ltd. In the amount of \$5,100,592. The Agency requested \$6,000,000 million of RPTTF; however Finance is reclassifying \$5,100,592 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, because the Agency has \$5,594,936 in Other Funds, Finance is approving RPTTF in the amount of \$899,408 and the use of Other Funds in the amount of \$5,100,592 for Item No. 51.
- Item No. 68 – Administrative Costs in the amount of \$494,344. The Agency is allowed \$494,344 in administrative costs for the ROPS 13-14B period. However, because the Agency has \$494,344 in Other Funds, Finance is reclassifying \$494,344 in administrative costs to Other Funds for Item No. 68.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table 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 or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$16,406,836 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	20,979,330
Total RPTTF requested for administrative obligations	629,380
Total RPTTF requested for obligations	\$ 21,608,710
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Total RPTTF requested for non-administrative obligations	20,979,330
<u>Reclassified Items - RPTTF to Reserves</u>	
Item No. 14**	(1,890,318)
<u>Increased Items</u>	
Item No. 1	5,715
Item No. 6	2,293,960
Item No. 10	415,550
Item No. 17	3,749
Item No. 18	2,985
Item No. 22	28,300
Item No. 26	1,645
Item No. 30	11,000
Item No. 33	13,280
Item No. 36	4,881
<u>Total reclassified and increased items</u>	890,747
Total RPTTF before reclassification	21,870,077
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 51	(5,100,592)
Total RPTTF approved for non-administrative obligations	16,769,485
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Total RPTTF requested for administrative obligations	629,380
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 68	(494,344)
Total RPTTF approved for administrative obligations	135,036
Total RPTTF approved for obligations	16,904,521
ROPS III prior period adjustment	(497,685)
Total RPTTF approved for distribution	\$ 16,406,836

** Reclassified to reserve funds.

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/.

This is Finance’s final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 Evelyn Suess, Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office