



May 16, 2014

Ms. Cynthia A. Fortune, Finance Manager  
City of Grand Terrace  
22795 Barton Road  
Grand Terrace, CA 92313

Dear Ms. Fortune:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grand Terrace Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 11, 2014. 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 April 28, 2014.

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 items being disputed.

- Item No. 8 – Property Appraisal services in the amount of \$100,000. Finance continues to deny this item at this time. Finance initially denied this item as the Agency provided insufficient documentation to support the amounts claimed. The Agency provided an agreement for consultant services with Kosmont & Associates, Inc. dated August 13, 2013, which did not agree with the payee listed on the ROPS. Additionally, the agreement states the Agency shall pay for the services provided and the fees for services shall not exceed the \$12,000. The Agency was approved for \$10,000 on the January through June 2013 ROPS. During the Meet and Confer process, the Agency stated that they are anticipating amending the contract prior to its expiration date to include appraisal services. However, since the Agency's submitted Long-Range Property Management Plan (LRPMP) has not been approved, Finance has not determined if these proposed costs are necessary to implement the LRPMP. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time. Once the Agency's LRPMP has been approved by Finance, the Agency should request RPTTF funding on a ROPS. Therefore, this item is not an enforceable obligation and is not eligible for funding on this ROPS.
- Item No. 9 – Weed Abatement services in the amount of \$100,000. Finance no longer denies this item. Finance initially denied this item as the professional consultant

services agreement between the former Redevelopment Agency (RDA) and Ace Weed Abatement, Inc. dated April 12, 2011 terminates on June 30, 2014. During the Meet and Confer process, the Agency stated they are in the process of executing a contract amendment to include two 1-year extensions/renewals for weed abatement services for 10 properties. Therefore, this item is an enforceable obligation as a cost of maintaining assets prior to disposition and is eligible for RPTTF funding.

- Item Nos. 10 through 12 – Various professional and property maintenance services totaling \$308,500. Finance no longer denies these items. Finance initially denied these items as Finance had not received any documentation to support the amounts claimed. During the Meet and Confer process, the Agency provided clarification on the costs requested. Item 10 is related to continuing disclosure costs required for the 2011 Series A and B Tax Allocation Bonds. Item 11 is related to arbitrage rebate analysis and reporting services required for the bonds. Item 12 is related to property insurance and various property maintenance costs, such as water utilities fees and irrigation parts and supplies. Therefore, these items are enforceable obligations and are eligible for RPTTF funding.
- Item No. 40 – Michigan Street Improvements Project in the amount of \$480,000, funded by Bond Proceeds. Finance continues to deny this item. Finance denied this item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011. During the Meet and Confer process, the Agency contended that they are required to design, build, and complete the project pursuant to the 2011 Tax Allocation Bonds, Series A and B. However, there is no such requirement to use the bond proceeds and there are no enforceable obligations existing prior to June 28, 2011. Since these bonds were issued after December 31, 2010, HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.
- Item No. 48 – San Bernardino Community College District (SBCCD) Pass-Through Payments in the amount of \$19,143. Finance continues to deny this item. The Agency provided a demand letter from SBCCD that requested payments of underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District (LAUSD) court decision. However, Finance denied this item as the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. During the Meet and Confer process, the Agency contended the demand letter from Public Economics, Inc., on behalf of SBCCD for underfunded AB 1290 pass throughs is an enforceable obligation. However, as previously stated, this demand is based on a LAUSD court decision and the Agency was not a named party. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 49 – Housing Successor Entity Administrative Allowance in the amount of \$600,000 is not allowed. Finance continues to deny this item. Finance denied this item because 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 RDA elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Grand Terrace (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 (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is controlled by the City because the City was involved in the formation of the Authority and they share common governing boards, which are factors to be considered when determining if an entity is controlled by the city pursuant to HSC section 34167.10 (b).

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$600,000 of housing entity administrative allowance.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,104,433 as summarized in the following table:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	1,209,133
Total RPTTF requested for administrative obligations	200,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 1,409,133</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,209,133</b>
<u>Denied Items</u>	
Item No. 8	(10,000)
Item No. 48	(19,143)
	<u>(29,143)</u>
<b>Total RPTTF for non-administrative obligations</b>	<b>1,179,990</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 1,179,990</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>200,000</b>
<u>Denied Item</u>	
Item No. 49	(75,000)
	<u>(75,000)</u>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 1,304,990</b>
ROPS 13-14A prior period adjustment	(200,557)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,104,433</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>

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

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Mr. Ken Henderson, Interim City Manager, City of Grand Terrace  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County  
California State Controller's Office