



November 3, 2015

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

Dear Ms. Fortune:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Grand Terrace Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 20, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 9 – Professional Services in the amount of \$100,000 is partially allowed. The Agency provided a Weed Abatement Services Agreement (Agreement) between the Agency and Cal Dreamscape Landscape Company Inc. (Contractor) entered into on January 1 for weed abatement services. In addition, the Agency provided evidence of past payments to the Contractor to support the amounts requested.

According to the Agreement, the Contractor will provide services for 12 parcels. However, Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on April 23, 2015. Six of the parcels were approved for transfer to the City of Grand Terrace (City) for future development, one parcel was approved for transfer to the City for governmental use, and two parcels belong to the City per the San Bernardino County Assessor's website.

As the above nine parcels are in the control of the City, the City is responsible for their maintenance. Therefore, Finance is approving funding for services related to the Agency's remaining properties identified by Assessor's Parcel Numbers 0275-242-10, 0275-242-11 and 0276-202-54, totaling \$790, designated for sale on the Agency's LRPMP. Therefore, \$9,210 (\$10,000 - \$790) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 29 – Stater Brothers Owner Participation Agreement (OPA) in the amount of \$358,750 requested for ROPS 15-16B is not allowed. Pursuant to Section 2.4 of the Economic Development Agreement, the maximum annual Covenant Payment allowed is

\$192,500. Finance authorized the maximum amount of \$192,500 during the ROPS 15-16A review period to cover the Covenant Payment through August 2015. Therefore, this item is not eligible for RPTTF funding in the amount of \$264,956, and is not eligible for Reserve Balances funding in the amount of \$93,794, for a total of \$358,750 this ROPS period. To the extent the Agency provides additional documentation, the Agency may be eligible for funding.

- Item No. 52 – Property Management Implementation Plan Services. The Agency intends to request the services of a consultant to provide market research, broker opinion, disposition strategy and real estate advisory services. However, Finance would like to remind the Agency that normal and ordinary services involved in selling the parcels should be limited to marketing the properties for sale, soliciting purchase offers, and reviewing and analyzing offers and potential buyers. Other services, such as market research collection and analysis, may not fall within these parameters, and often times these services are paid through escrow. Our approval is limited to the normal and ordinary services strictly involved in selling the parcels.

Finance further notes the Agency requested funding for new contracts and agreements for Professional and Property Management Implementation Plan Services that have not been previously reviewed and approved by the Agency's Oversight Board (OB) or Finance. Pursuant to HSC 34180 and HSC 34179 (h), Agency actions shall first be approved by the OB, and then submitted to Finance for review and approval. Any new contracts or agreements should be reviewed by the OB and then submitted to Finance prior to the Agency's ROPS submission or in tandem with the submission.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 RPTTF distribution for the reporting period is \$975,280 as summarized in the Approved RPTTF Distribution table below:

| Approved RPTTF Distribution | |
|--|---------------------|
| For the period of January through June 2016 | |
| Total RPTTF requested for non-administrative obligations | 1,124,446 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF requested for obligations on ROPS 15-16B | \$ 1,249,446 |
| Total RPTTF requested for non-administrative obligations | 1,124,446 |
| <u>Denied Items</u> | |
| Item No. 9 | (9,210) |
| Item No. 29 | (264,956) |
| | (274,166) |
| Total RPTTF authorized for non-administrative obligations | \$ 850,280 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF authorized for administrative obligations | \$ 125,000 |
| Total RPTTF authorized for obligations | \$ 975,280 |
| Total ROPS 14-15B PPA | 0 |
| Total RPTTF approved for distribution | \$ 975,280 |

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Harold Duffey, City Manager, City of Grand Terrace
Ms. Linda Santillano, Property Tax Manager, San Bernardino County