



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 3, 2015. 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 15-16B) to Finance on September 20, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 3, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on November 16, 2015.

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 determinations being disputed.

- Item No. 9 – Professional Services in the amount of \$10,000 was partially allowed. Finance continues to partially allow this item. The Agency provided a Weed Abatement Services Agreement (Agreement) between the Agency and Cal Dreamscape Landscape Company Inc. (Contractor) for weed abatement services and evidence of past payments to the Contractor to support the amounts requested. However, Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on April 23, 2015, related to 11 parcels. Seven of the parcels were approved for transfer to the City of Grand Terrace (City) for future development and one parcel was approved for transfer to the City for governmental use. Finance initially determined that the City is responsible for maintenance of these eight parcels as they are in the control of the City.

During the Meet and Confer process, the Agency agreed that the one parcel approved for government use was transferred to the City and requested to revise the funding amount to \$9,605. Additionally, the Agency contended that the seven parcels approved for future development are not immediately transferable and compensation agreements must first be obtained from the affected taxing entities. However, Dissolution Law does not require that a compensation agreement be reached prior to a property being transferred to the sponsoring entity. Nevertheless, it is Finance's expectation that the required compensation agreements with the affected taxing entities be entered at some

point in the future. Therefore, the Agency should proceed with the transfer of the properties to the City as approved in the LRPMP. As a result, 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 in the amount of \$358,750 was not allowed. Finance continues to deny this item. Finance initially denied this item because Section 2.4 of the Economic Development Agreement (EDA) states that the annual Covenant Payment is \$192,500, which was requested by the Agency and not denied by Finance during the ROPS 15-16A review. During the Meet and Confer process, the Agency contended that the EDA contains two payment sections: (1) Economic Development Covenants payments of approximately \$192,500 per year for five years or \$48,125 per quarter (Section 2.4 of the EDA) and (2) Public Parking Easement payments of \$12,250 per quarter for five years (Section 3.2 of the EDA).

However, based upon further review of the EDA, the first payment requirement is not an obligation of the Agency, but an obligation of the City. Section 2.4 states that "the City shall pay approximately \$192,500.00 per year for five (5) years" and Section 1.3 of the EDA defines City as the City of Grand Terrace. The Agency contended that pursuant to the staff report and meeting minutes, it was the intent of the City Council and former Redevelopment Agency (RDA) Board that the payments are to be made from the former RDA, not the City. However, Section 6.2 of the EDA states that "This Agreement sets forth and contains the entire understanding and agreement of the Parties [(defined in section 1.21 as Stater, the City and the Agency)], and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements that are not contained or expressly referred to herein. No testimony or evidence of any such representations, understandings or covenants shall be admissible in any proceeding of any kind or nature to interpret or determine the terms or conditions of this Agreement." As a result, the staff reports and meeting minutes, which are not included as part of the EDA, are irrelevant in the interpretation of the EDA. Therefore, the first payment requirement is an obligation of the City, not the Agency, and is not eligible for funding.

The second payment requirement is an obligation of both the City and Agency as the EDA states the "the City and Agency shall pay to Stater the Public Parking Easement Purchase Price quarterly...during the five (5) year term." However, Section 3.1 of the EDA also states "The Public Parking Easement shall become effective on the date of recordation of the deed granting the Public Parking Easement" and according to the Agency, the deed was never submitted by Stater Brothers to be recorded. Therefore, the second payment requirement is not effective as the condition for payment has not been met.

Additionally, the Agency contended that this item had been approved as an enforceable obligation during the Other Funds and Accounts (OFA) Due Diligence Review (DDR) and Finance cannot now reverse its OFA DDR determination. However, determinations made on the OFA DDR are not final and conclusive and the Agency has not requested a final and conclusive determination on this item pursuant to HSC section 34177.5 (i). Therefore, all items listed on a ROPS are subject to review and may be denied even if it was not denied previously.

As a result, 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.

In addition, per Finance's letter dated November 3, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$975,280 as summarized in the Approved RPTTF Distribution table on the next page:

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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

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