



April 11, 2017

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

Dear Ms. Fortune:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Grand Terrace Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on January 26, 2017. Finance has completed its review of the ROPS 17-18.

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

- Item No. 8 – Professional Services in the total outstanding obligation amount of \$30,000 is not allowed. The Agency did not provide documentation to support the amounts requested. Therefore, with the Agency's concurrence, the requested Redevelopment Property Tax Trust Fund (RPTTF) funding amount of \$30,000 has been adjusted to zero. To the extent the Agency can provide documentation, such as an executed contract or vendor invoices to support the requested amount, the item may be considered on a future ROPS.
- Item No. 9 – Property Maintenance costs in total requested amount of \$1,580 is partially allowed. The Agency provided Amendment No. 2 to the Professional Services Agreement for Weed Abatement Services between the Agency and Cal Dreamscape Landscape Company, Inc., extending the term of the agreement to December 31, 2017.

According to the original agreement, the Contractor will provide services for 12 parcels. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on April 23, 2015. Of the 12 parcels, six transferred to the City of Grand Terrace (City) for future development, one parcel transferred to the City for governmental use, and two parcels already belong to the City according to the San Bernardino County Assessor's website. These nine parcels are now in the control of the City; therefore, the City is responsible for property maintenance.

Finance is approving RPTTF in the amount of \$790 for services related to the properties designated for sale on the Agency's approved LRPMP, identified with Assessor's Parcel Numbers 0275-242-10, 0275-242-11, and 0276-202-54. Therefore, the excess \$790 (\$1,580 - \$790) is not eligible for RPTTF funding on the ROPS.

- Item No.18 – Southwest Project Area, 2011 Tax Allocation Bonds Project in the total outstanding obligation amount of \$2,311,000 is not allowed. According to the Agency, the request for \$289,015 from Bond Proceeds was intended as a carryover from the maximum amount approved during the Amended ROPS 16-17 period, previously listed as Item No. 41. To date, this amount is expected to remain unused by the end of the ROPS 16-17 period.

The Agency intends to submit a bond expenditure agreement to Finance in order to request the transfer of these Bond Proceeds to the City. As such, and with the Agency's concurrence, Finance has adjusted the requested amount of \$289,015 from Bond Proceeds to zero.

- Item No. 30 – Residual Receipts in total outstanding obligation amount of \$3,000,000 are not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 9, 2013. However, OB Resolution No. 2017-02, approving the Low and Moderate Income Senior Housing Residual Receipts Security Agreement (Residual Receipts Agreement) as an enforceable obligation, and finding the agreement serves a legitimate redevelopment purposes, was denied in our determination letter dated March 9, 2017. Finance denied the resolution in part because the OB does not have the authority to deem items enforceable, and the Residual Receipts Agreement does not meet the criteria to be considered a real property interest loan as specified in HSC section 34191.4 (b) (2) (B). Therefore, the request for \$300,000 on the ROPS is not eligible for RPTTF funding.

- Item No. 36 – Consulting Services in the total requested amount of \$20,000 has been reclassified to Administrative RPTTF. The Agency provided an Agreement for Professional Services (Agreement) between the City and Rosenow Spevacek Group, Inc., (RSG) dated February 25, 2014. However, this agreement terminated on June 30, 2016 and the Agency is in the process of renewing the Agreement. Further, Finance notes the services identified in the scope of work (preparation of bi-annual cash flow and assisting Agency staff for ongoing negotiation with Finance) are general activities that should be funded from the Agency's Administrative Cost Allowance (ACA). Therefore, the request for \$20,000 (\$10,000 in each ROPS period) has been reclassified to Administrative RPTTF.
- The Agency's claimed administrative costs exceed the allowance by \$20,000. HSC section 34171 (b) (3) limits the fiscal year ACA to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$250,000 for the fiscal year 2017-18. Although \$250,000 is claimed for ACA, Item No. 36, for Consulting Services in the amount of \$20,000, is considered a general administrative expense and should be counted toward the cap. Therefore, as noted in the table below, \$20,000 of excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2016-17	\$ 2,215,046
Less distributed Administrative RPTTF	(250,000)
RPTTF distributed for 2016-17 after adjustment	<u>1,965,046</u>
ACA Cap for 2017-18 per HSC section 34171 (b)	250,000
ACA requested for 2017-18	250,000
Plus amount reclassified to ACA	20,000
Total ACA	<u>270,000</u>
ACA in Excess of Cap	\$ (20,000)

- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF.

Therefore, Finance is approving RPTTF in the amount of \$1,051,781 and the use of the Other Funds in the amount of \$57,665, totaling \$1,109,446, for Item No. 1 – 2011 Tax Allocation Bonds, for the ROPS 17-18 period.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's previous or related determinations, the Agency 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 on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,228,086 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied

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to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Moses Ofurio, Lead Analyst, at (916) 322-2985.

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

Attachment

Approved RPTTF Distribution For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 1,225,273	\$ 1,161,268	\$ 2,386,541
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	1,350,273	1,286,268	2,636,541
RPTTF Requested	1,225,273	1,161,268	2,386,541
<u>Adjustments</u>			
Item No. 1	(57,665)	0	(57,665)
Item No. 8	(15,000)	(15,000)	(30,000)
Item No. 9	0	(790)	(790)
Item No. 30	0	(300,000)	(300,000)
Item No. 36	(10,000)	(10,000)	(20,000)
	(82,665)	(325,790)	(408,455)
RPTTF Authorized	1,142,608	835,478	1,978,086
Administrative RPTTF Requested	125,000	125,000	250,000
<u>Adjustment</u>			
Item No. 36	10,000	10,000	20,000
	10,000	10,000	20,000
Adjusted Administrative RPTTF	135,000	135,000	270,000
Excess Administrative Costs	(10,000)	(10,000)	(20,000)
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 1,267,608	\$ 960,478	\$ 2,228,086