



October 19, 2012

Mr. Bernie Simon, Financial Director
City of Grand Terrace
22795 Barton Road
Grand Terrace, CA 92313

Dear Mr. Simon:

Subject: Recognized Obligation Payment Schedule

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 III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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 do not qualify as enforceable obligations:

- Item No. 4 – A loan between City and Zion Bank in the amount of \$2.2 million payable from Redevelopment Property Tax Trust Fund. Documentation provided obligated the Agency to the City for 1997 Certificate of Participations. As the former RDA is neither a party to the contract nor responsible for payment of the contract, this line item is not an enforceable obligation.
- Item Nos. 17 through 25 - 2001A TABS Bond Projects in the amount of \$13 million; bond proceeds. HSC section 31463(b) prohibits an agency from entering into a contract after June 27, 2011. It is our understanding that contracts for these items were awarded after June 27, 2011 or have not been awarded. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (c) may cause these items to be enforceable in future ROPS periods.
- Item No. 28 – Supplemental Education Revenue Augmentation Fund (SERAF) Loan from the Low and Moderate Income Housing Fund (LMIHF) in the amount of \$448,636. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year.
- Item No. 30 – Residual receipts in the amount of \$3 million from LMIHF. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the RDA. This shall remain the case until and unless a finding of completion

is issued by the Department of Finance and the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

- Administrative cost claimed exceeded the allowance by \$19,038. HSC section 34171(b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000 whichever is greater. Therefore, \$19,038 of excess administrative costs claimed is not allowed. The following items were reclassified as administrative costs:

- Item 6 – Professional Services in the amount of \$13,878
- Item 7 – Consulting Services in the amount of \$5,160

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,196,536 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,092,998
Less: Six-month total for items denied or reclassified as administrative cost	
Item 4	127,424
Item 6*	13,878
Item 7*	5,160
Total approved RPTTF for enforceable obligations	\$ 946,536
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
Total RPTTF approved:	\$ 1,196,536

*Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,437,405
Total RPTTF for the period January through June 2013	946,536
Total RPTTF for fiscal year 2012-13:	\$ 2,383,941
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	250,000
Allowable RPTTF distribution for administrative cost for ROPS III:	\$0

* Reclassified as administrative costs

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

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Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Betsy Adams, City Manager
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino