

November 9, 2015

Mr. Steven Lantsberger, Deputy Director of Economic Development
City of Hesperia
9700 Seventh Avenue
Hesperia, CA 92345

Dear Mr. Lantsberger:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Hesperia 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 28, 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. 8 – Hesperia Public Financing Authority 2007 Series B Bonds in the amount of \$4,692 has been adjusted. The Agency inadvertently requested a portion of the Fiscal Year 2015 payment instead of the \$58,226 payment due in 2016. Additionally, it is our understanding the Agency established a Reserve Fund at issuance and the debt service payment due September 1, 2016 is the last payment due for this obligation. Therefore, Finance has reclassified the \$4,692 requested from Redevelopment Property Tax Trust Funds (RPTTF) to Bond Proceeds, as prescribed in the bond indenture. In addition, Finance has increased the request for Bond Proceeds by an additional \$53,534, for a total payment of \$58,226 (\$53,534 + \$4,692) as required by the debt payment schedule.
- Item No. 11 – Hesperia Public Financing Authority 2007 Series B Housing Bonds in the amount of \$279,860 has been adjusted. The Agency inadvertently requested a portion of the Fiscal Year 2015 payment instead of the \$254,791 due in 2016. Therefore, Finance has reduced the requested amount by \$25,069 (\$279,860 - \$254,791) to reflect the amount due during this ROPS period.
- Item No. 58 – Agency Administration in the amount of \$131,314. The Agency inadvertently requested funding for Administration from RPTTF rather than the Administrative Cost Allowance (ACA). Therefore, Finance has reclassified the item, and it is eligible for funding from the ACA this ROPS period.
- Item No. 62 and 72 – Loans to Agency from Sponsoring Entity totaling \$100,000 are not allowed. It is our understanding the Agency is requesting funding for a shortfall loan stemming from the ROPS 14-15B period. However, the Agency requested, and Finance approved, Other Funds as the funding source for these enforceable obligations.

Pursuant to HSC 34173 (h) (1), the sponsoring entity may loan or grant funds for the payment of administrative costs or enforceable obligations, to the extent the Agency receives an insufficient distribution from the RPTTF, or other approved sources of funding are insufficient, to pay those approved enforceable obligations in the ROPS period. Further, loans made pursuant to this section shall be repaid from the source of funds originally approved for payment of the underlying enforceable obligation in the ROPS once sufficient funds become available from that source.

Additionally, the Agency was unresponsive to our requests for additional details or other documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation to support the requested funding, the Agency may be able to obtain Other Funds on future ROPS. Therefore, these line items are not eligible for funding from RPTTF.

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 Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below only reflects the Agency's self-reported prior period adjustment (PPA), as adjusted by Finance.

Based on our review of the Agency's PPA reporting, the Agency failed to report the \$119,960 PPA in the Available RPTTF. As a result of our review, Finance is hereby increasing the PPA reported on the ROPS 14-15B form from \$0 to \$119,960 to accurately reflect the correct amount. Therefore, the total prior period adjustment, as calculated by Finance, is \$119,960.

In addition, Finance noted the Agency's expenditures exceeded Finance's authorization for the following items as detailed on the Agency's ROPS 14-15B PPA:

- Bond Proceeds totaling \$386,256 – Item No. 13, \$297; Item No. 14, \$7,975; Item No. 15 \$1,135; and Item No. 16, \$376,849.

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part or the items that have been reclassified, 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 \$5,575,420 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	5,800,141
Total RPTTF requested for administrative obligations	25,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,825,141
Total RPTTF requested for non-administrative obligations	5,800,141
<u>Denied Items</u>	
Item No. 11	(25,069)
Item No. 62	(75,000)
	(100,069)
<u>Reclassified Items</u>	
Item No. 8	(4,692)
Item No. 70	(131,314)
	(136,006)
Total RPTTF authorized for non-administrative obligations	\$ 5,564,066
Total RPTTF requested for administrative obligations	25,000
<u>Reclassified Item</u>	
Item No. 58	131,314
<u>Denied Item</u>	
Item No. 72	(25,000)
Total RPTTF authorized for administrative obligations	\$ 131,314
Total RPTTF authorized for obligations	\$ 5,695,380
Self-reported ROPS 14-15B prior period adjustment (PPA)	0
Finance adjustment to ROPS 14-15B PPA	(119,960)
Total ROPS 14-15B PPA	(119,960)
Total RPTTF approved for distribution	\$ 5,575,420

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 (j). 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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Anne Duke, Deputy Finance Director, City of Hesperia
Ms. Linda Santillano, Property Tax Manager, San Bernardino County