

December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 9, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hesperia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 28, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 9, 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 23, 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. 8 – Hesperia Public Financing Authority 2007 Series B Bonds in the amount of \$4,692 has been adjusted. Finance continues to adjust this item. 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 reclassified the \$4,692 requested from the Redevelopment Property Tax Trust Fund (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.

During the Meet and Confer process, the Agency did not dispute the adjustment, but requested Finance to reconsider the adjusted amount to be made from RPTTF funding because the Reserve Fund is controlled by the trustee, not the Agency. The Agency provided the trustee statement for the 2007 Series B Project Area No. 2 Reserve Account as of November 30, 2015, showing a balance of \$26,125. Therefore, Finance continues to reclassify \$26,125 to Bond Proceeds and approves \$32,101 from the RPTTF.

- Item No. 58 – Agency Administration in the amount of \$131,314. Finance no longer reclassifies this item as an administrative cost; however, Finance denies this item at this time. Finance initially reclassified this item as an administrative cost because the obligation type selected on the ROPS form was “Admin Cost.” During the Meet and Confer process, the Agency contended that this was not part of the administrative cost allowance, but a loan from the City of Hesperia (City) to cover the administrative costs in January through June 2015 ROPS (ROPS 14-15B) due to a shortfall in RPTTF funding. However, the Agency has not taken the required actions pursuant to HSC section 34173 (h) for Finance to consider the request for funding on the ROPS. Additionally, the Agency has not provided suitable documentation to support the requested amount, such as accounting records or other documents to support a shortfall in RPTTF funding and that the City loaned funds to pay specific items during ROPS 14-15B. Therefore, this item is not an enforceable obligation and is not eligible for funding on this ROPS.
- Item No. 62 and 72 – Loans to Agency from Sponsoring Entity totaling \$100,000 were not allowed. Finance no longer denies Item No. 62; however, Finance continues to deny Item No. 72 at this time. Finance initially denied these items because the Agency was unresponsive to our requests for additional details or other documentation to support the amounts claimed. During the Meet and Confer process, the Agency contended that due to a shortfall in funding during the ROPS 14-15B period, the Agency was unable to fund these items.

During the ROPS 14-15B period, the Agency requested, and Finance approved, Other Funds for Item No. 62, which is related to a shortfall loan originating from insufficient RPTTF funding available for administrative costs in the ROPS 13-14B period. According to the Agency, the Other Funding requested in ROPS 14-15B was an estimated amount, not actual funds available at the time of the request, and the funds were never received. As such, this item remains unfunded. Therefore, Finance approves \$75,000 from the RPTTF for Item No. 62.

Item No. 72 is related to a shortfall loan originating from the July through December 2014 (ROPS 14-15A) period. During the ROPS 14-15B period, Item No. 72 was reported as Item No. 68; the Agency did not request funding at that time and Finance did not review the item for eligibility. During the Meet and Confer process, the Agency did not provide accounting records or other documents to support a shortfall in RPTTF funding and that the City loaned funds to pay specific items during ROPS 14-15A. Pursuant to HSC section 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. To the extent the Agency can provide suitable documentation to support the requested amount, the Agency may be able to obtain funding on future ROPS. Therefore, Item No. 72 is not eligible for funding from RPTTF on this ROPS.

- 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 (PPA), as adjusted by Finance.

Based on our review of the Agency's PPA reporting, we adjusted the total Available RPTTF amount reported from \$5,208,403 to \$5,328,363 based on the CAC's reported distribution amount. As a result, the Agency had additional RPTTF funds on hand. To reflect the additional funds on-hand, Finance adjusted the total prior period adjustment by \$119,960 (\$5,328,363 - \$5,208,403).

During the Meet and Confer process, the Agency objected to Finance's adjustment; however, no additional information was provided to reverse our determination to increase the PPA. Therefore, Finance continues to make this adjustment.

In addition, per Finance's letter dated November 9, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$5,551,207 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	5,800,141
Total RPTTF requested for administrative obligations	25,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,825,141
Item No. 8	27,409
Total RPTTF adjustments	\$ 27,409
Total RPTTF requested for non-administrative obligations	5,827,550
<u>Denied Items</u>	
Item No. 11	(25,069)
Item No. 58	(131,314)
	(156,383)
Total RPTTF authorized for non-administrative obligations	\$ 5,671,167
Total RPTTF requested for administrative obligations	25,000
<u>Denied Item</u>	
Item No. 72	(25,000)
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 5,671,167
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	\$ 5,551,207

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.

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

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