



REVISED

November 10, 2013

Ms. Linda Daniels, Assistant City Manager
City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Dear Ms. Daniels:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Cucamonga Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 24, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reason specified:

- Item No. 1 – 2007 Series A & B Tax Allocation Bonds in the amount of \$1,574,507. The total payment due during the ROPS 13-14B period is \$3,826,448; however, the Agency requested \$5,400,955 payable from Redevelopment Property Tax Trust Fund (RPTTF) funding. HSC section 34171 (d) (1) (A) permits reserves to be held only when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations under the provisions of the bond for the next payment due in the following half of the fiscal year. Based on information provided by the Agency, the indenture does not require such reserves to be held, and the Agency has historically received sufficient tax increment to fund its bond obligations. Therefore, the debt service payments requested has been reduced by \$1,574,507 (\$5,400,955-\$3,826,448) to \$3,826,448.
- Item No. 50 – 1999, 2001 and 2004 Tax Allocation Bonds in the amount of \$3,756,625. The total payment due during the ROPS 13-14B period is \$5,419,199; however, the Agency requested \$9,175,824. HSC section 34171 (d) (1) (A) permits reserves to be held only when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligations under the provisions of the bond for the next payment due in the following half of the fiscal year. Based on information provided by the Agency, the indenture does not require such reserves to be held and the Agency has historically received sufficient tax increment to fund its bond obligations. Therefore, the debt service payments requested has been reduced by \$3,756,625 (\$9,175,824-\$5,419,199) to \$5,419,199.
- Item No. 81 – 2007 Tax Allocation Housing Bond proceeds in the amount of \$8,600,000. The Agency desires to transfer bond proceeds to the Housing Successor. The Agency received a

Finding of Completion on June 11, 2013. The Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c). However, the Agency has not provided sufficient supporting documentation to support the request; it is our understanding that the use of or commitment of the bond proceeds has not occurred.

- Item No. 84 – Public Works Service Center Project costs funded with \$1,806,641 in bond proceeds. The Agency originally requested \$1,806,641 in bond proceeds for this project; however, the Agency later identified a discrepancy in the amount of \$42,454. Therefore, at the Agency's request, the total amount requested has been revised to \$1,764,187.
- Claimed administrative costs exceed the allowance by \$159,934. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$851,484 in administrative expenses. The San Bernardino County Auditor-Controller's Office distributed \$523,160 for the July through December 2013 period, thus leaving a balance of \$328,324 available for the January through June 2014 period. Although \$488,258 is claimed for administrative cost, only \$328,324 is available pursuant to the cap. Therefore, \$159,934 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed Reserve Fund balances available totaling \$12,424,469.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified a total of \$11,272,471 to Reserves Funds and in the amount specified below:

- Item Nos. 1, 2, 7, 17, 42, 45, 46, 48, 50, 62, 73, 78, 86, and 87 – After the adjustments identified above, the Agency was authorized for \$10,944,147 in RPTTF for debt service payments. The Agency requested that payment be reclassified to the available reserve balances currently held by the Agency. Therefore, Finance is reclassifying and approving \$10,944,147 in Reserve Funds for these items.
- Item 88 – Successor Agency Administration. Finance has approved \$328,324 for administrative costs. The Agency requested that Finance reclassify this item to the available reserve balances currently held by the Agency. Therefore, Finance is reclassifying \$328,324 from RPTTF to Reserve Funds.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table does not include the prior period adjustment of \$1,139,805 resulting from the CAC's audit of the Agency's self-reported prior period adjustment. After the reclassification of available Reserve Funds, the current approved RPTTF is insufficient to allow for a prior period adjustment of \$1,139,805 during this ROPS period. The Agency should apply any remaining funds prior to requesting RPTTF during ROPS for the period July through December 2014 (ROPS 14-15A).

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Except for the item denied in whole or in part as an enforceable obligation or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is zero as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	16,275,279
Total RPTTF requested for administrative obligations	488,258
Total RPTTF requested for obligations	\$ 16,763,537
Total RPTTF requested for non-administrative obligations	16,275,279
<u>Denied Items</u>	
Item No. 1	(1,574,507)
Item No. 50	(3,756,625)
Total RPTTF for non-administrative obligations before reclassified items	10,944,147
<u>Reclassified Items</u>	
Item No. 1	(3,826,448)
Item No. 2	(6,000)
Item No. 7	(6,300)
Item No. 17	(3,000)
Item No. 42	(700,000)
Item No. 45	(600,000)
Item No. 46	(175,600)
Item No. 48	(169,600)
Item No. 50	(5,419,199)
Item No. 62	(7,500)
Item No. 73	(12,500)
Item No. 78	(6,000)
Item No. 86	(6,000)
Item No. 87	(6,000)
	<u>(10,944,147)</u>
Total RPTTF approved for non-administrative obligations	-
Total RPTTF requested for administrative obligations	488,258
<u>Denied Items Admin in Excess of the Cap</u>	
Item No. 88	(159,934)
Total RPTTF allowable for administrative obligations before reclassifications (see Administrative Cost Cap Calculation table below)	328,324
<u>Reclassified Items</u>	
Item No. 88	(328,324)
Total RPTTF approved for administrative obligations	-
Total RPTTF approved for obligations	-
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ -

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	17,438,650
Total RPTTF for 13-14B (January through June 2014)	10,944,147
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	28,382,797
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	851,484
Administrative allowance for 13-14A (July through December 2013)	523,160
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	328,324

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

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, 2014. This determination applies only to items where 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 periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Caroline Cruz-Contreras, Senior Accountant, City of Rancho Cucamonga
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office