



REVISED

March 21, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. 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 III) to Finance on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 20, 2012.

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 items being disputed.

- Item No. 8 - Barton Plaza in the amount of \$15,000 funded by reserves. Finance no longer denies the item. Finance denied the item as HSC section 34163(b) prohibits a redevelopment agency (RDA) from entering into contracts with any entity after June 27, 2011. The Agency contends the obligation is pursuant to a Right of Access Agreement between the former RDA and a third party. Per Section 1.3 of the agreement, the Agency is required to restore any damage caused to the property and return the property to its original condition. The item was approved on ROPS I for \$7,500; however, the Agency claims they were required to replace the previous contractor and the restoration cost increased to \$15,000. Therefore, Finance approves the item in the amount of \$15,000 for funding out of Reserves.
- Items Nos. 23, 45, and 62 – Various projects in the amount of \$3,022,656 funded by bond proceeds. Finance continues to deny the items. The Agency contends the items are enforceable obligations because the former RDA always intended to make payment for these items and provided various staff and financial reports. However, as previously determined, the former RDA is neither a party to the contract nor responsible for payment of the contract. Therefore, these items are not enforceable obligations. We also note these items were claimed on ROPS I and approved by Finance on April 27, 2012, with Items 45 and 62 claiming the total "Outstanding Obligation."

- Item No. 57 – Fire station vehicles in the amount of \$153,059. Finance continues to deny the item. Finance denied the item as sufficient documentation was not provided showing the former RDA authorized the purchase of the vehicles. Per Section 3.2 of the First Amendment to the Pass-through Agreement between the Fire District, the City, and the former RDA states excess taxes allocated to the former RDA shall be paid to the District upon request to alleviate any financial burden or detriment caused to the District by the Project. We note that Item 55 on the ROPS III transfers the fund balance of this Pass-through Agreement in the amount of \$35.45 million. It is Finance's position that purchase/funding for these vehicles do not alleviate a financial burden and therefore, do not meet the requirements of the Pass-through Agreement. In addition, we note the Agency provided staff reports analyzing the vehicle purchases; however, the Agency did not provide a Resolution indicating this item was approved by the Board. Finally, additional review during the meet and confer process indicates the item was claimed during the ROPS I period and was approved per Finance's letter dated April 27, 2012. Therefore, it is Finance's position this item has been paid as the "Total Outstanding Obligation" was due, approved, and funded. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Items Nos. 75, 76, 85 and 156 – Various project in the amount of \$162,600 funded with reserve balances. Finance continues to deny the items. As previously determined, the former RDA is neither a party to the contract nor responsible for payment of the contract, these line items are not enforceable obligations. The former RDA's obligations, if any, are to the City. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Finally, we noted the total "Outstanding Obligation" was claimed and approved during ROPS I period. For the reasons listed, these items are not enforceable obligations.

For Item 76, the Agency requested to retain \$1,100 in reserve funds as this item was previously approved for \$1,100 on ROPS I but funds were not expended. However, per the ROPS III Prior Period Payment form, the Agency reported \$3,836 in expenditures from reserve funds. Because only \$1,100 was approved on ROPS I, the Agency did not have authority to expend the additional amount. The item is currently denied as the contract was entered into after June 27, 2011 and the Agency expended more than the approved amount; therefore, Finance is denying the Agency's request to use reserve funds.

- Item No. 197 – Audit for Successor Agency in the amount of \$13,000 was reclassified as an administrative cost. Finance continues to reclassify the item as an administrative cost. Although this reclassification increased administrative costs to \$693,818, the administrative cost allowance has not been exceeded. During the meet and confer process, the Agency provided documentation supporting this item is related to the required Due Diligence Review. It is Finance's position these costs are considered administrative costs to the extent administrative cost allowance has not been exceeded. If the administrative cost cap had been exceeded, this amount would not be reclassified.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$23,221,706 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 22,693,947
Less: Six-month total for items denied or reclassified as administrative cost	
Item 57	153,059
Item 197*	13,000
Total approved RPTTF for enforceable obligations	\$ 22,527,888
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	693,818
<b>Total RPTTF approved:</b>	<b>\$ 23,221,706</b>

\*Reclassified as administrative cost

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Flavio Nunez, Management Analyst I, City of Rancho Cucamonga  
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County  
California State Controller's Office