



April 2, 2014

Ms. Tina Kundig, Director of Finance
City of Redlands
PO Box 3005
Redlands, CA 92373

Dear Ms. Kundig:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redlands Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 26, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 reasons specified:

- Item No. 2 – City of Redlands (City) Loan for enforceable obligations in the amount of \$948,058. Finance partially denies this item. During the Meet and Confer held for the ROPS period July through December 2013 (ROPS 13-14A), Finance established an approved “Outstanding Debt or Obligation” in the amount of \$1,038,839 for this item, and a semi-annual payment in the amount of \$55,000 for the 10-year loan agreement between the Agency and the City.

The finding was upheld in the Meet and Confer held for the ROPS period January through June 2014 (ROPS 13-14B). Therefore, the Agency is permitted to receive \$55,000 in Redevelopment Property Tax Trust Funds (RPTTF) for the ROPS 14-15A period to repay this loan; the remaining \$893,058 (\$948,058 - \$55,000) is not eligible for RPTTF funding. Finance notes the previously approved “Outstanding Debt or Obligation” in the amount of \$1,038,839 was for the ROPS 13-14A period only, and the outstanding loan amount should decrease over time in accordance with the Agency’s continuing loan payments.

- Item Nos. 3 through 5 – Debt service reserves totaling \$564,669 for payments due January through June 2015. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the *calendar* year. Therefore, the request to fund payments due for the first half of the calendar year is not allowed, and these line items are not eligible for RPTTF funding.

- Item No. 28 – Torti Gallas and Partners Professional Services contract in the amount of \$69,360. It is our understanding the contract for the EIR and Downtown Specific Plan expires June 30, 2014; the final payment in the amount of \$69,630 was requested, and approved by Finance, during the ROPS 13-14B period. The San Bernardino County Auditor-Controller (CAC) reports the Agency received an RPTTF distribution equal to the amount Finance approved for ROPS 13-14B. Therefore, additional funding for this item for ROPS 14-15A is not approved. The Agency may still fulfill its obligation to Torti Gallas and Partners through June 30, 2014.
- Item No. 38 – City Loan for Legal Services in the amount of \$71,252. Finance partially denies this item. During the Meet and Confer held for ROPS 13-14B, Finance upheld its determination; the Agency is permitted to receive \$3,947 in RPTTF each ROPS period to repay this City loan based on the 10-year loan agreement provided. Therefore, the Agency is permitted to receive \$3,947 in RPTTF for the ROPS 14-15A period to repay this loan; the remaining \$67,305 (\$71,252 - \$3,947) is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency, with the following adjustments made by Finance.

- The Agency's self-reported available RPTTF for the 13-14A period includes RPTTF distributed by the CAC in the amount of \$2,956,652 minus the Agency's negative cash balance in the amount of \$155,962. Finance determined the Agency's negative cash balance results from the Agency expending its own fund balances, without prior authorization from Finance, due to an RPTTF shortfall in the January through June 2013 (ROPS III) period. The Agency used this RPTTF to backfill the amount needed for unfunded obligations rather than obtaining a loan from the City or requesting reimbursement for the shortfall on a subsequent ROPS. The Agency is not permitted to use the RPTTF distributed from the CAC in the 13-14A period to backfill its negative fund balance. Therefore, the RPTTF amount available to fund obligations for the 13-14A period has been corrected to include the amount actually distributed by the CAC.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$78,706 as summarized below:

Total RPTTF requested for non-administrative obligations	1,704,060
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 1,829,060
Total RPTTF requested for non-administrative obligations	1,704,060
<u>Denied Items</u>	
Item No. 2	(893,058)
Item No. 3	(342,819)
Item No. 4	(136,325)
Item No. 5	(85,525)
Item No. 28	(69,360)
Item No. 38	(67,305)
	<u>(1,594,392)</u>
Total RPTTF authorized for non-administrative obligations	\$ 109,668
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 234,668
ROPS 13-14A prior period adjustment	(155,962)
Total RPTTF approved for distribution	\$ 78,706

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<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 July 1 through December 31, 2014. This determination only applies 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 section 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.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Mike Nelson, Economic Development Manager, City of Redlands
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office