



April 14, 2013

Ms. Dena Fuentes, Director  
County of San Bernardino  
385 North Arrowhead Avenue  
San Bernardino, CA 92415-0043

Dear Ms. Fuentes:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of San Bernardino Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Item No. 16 – Salaries and Benefits costs for the San Sevaine Project in the amount of \$836,400 are partially denied. The Agency requested funding from Bond Proceeds, Other Funds, and Redevelopment Property Tax Trust Funds (RPTTF). The San Sevaine Project is a bond-funded housing project and the County of San Bernardino is the housing entity that assumed the housing functions previously performed by the redevelopment agency (RDA). HSC section 34176(a)(1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by the RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Salary and benefits are considered an administrative cost that should be assumed by the housing successor. Therefore, the request for \$100,500, payable from RPTTF, is not allowed.
- Item Nos. 27 and 49 – Housing Set-Aside loans totaling \$5,470,802 are not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B). HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for these obligations. Therefore, the

Agency may be able to request funding for the repayment of Housing Set-Aside loans beginning with ROPS 14-15A.

- Item No. 35 – City of Fontana Public Improvement Projects in the amount of \$2,065,947; payable from bond proceeds. HSC section 34171(3) states “contracts or agreements between the former redevelopment agency and other public agencies to perform services or provide funding for governmental or private services or capital projects outside of a redevelopment project area that do not provide benefit to the redevelopment project and thus were not properly authorized under Part 1 shall be deemed void. According to the documentation provided, the project was not within a redevelopment project area. Therefore, this line item is not an enforceable obligation and is not eligible for funding on the ROPS.
- Item Nos. 42, and 44 through 48 – Various loan agreements between San Bernardino County and the Agency, totaling \$18,600,027, are not enforceable obligations at this time. HSC section 34171(d)(2) states that agreements, contracts, or arrangements between the county that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA’s creation date or for issuance of indebtedness to third-party investors or bondholders. These loans were issued after the first two years of the former RDA’s creation and are not associated with the issuance of debt. Therefore these items are not enforceable obligations and not eligible for funding on the ROPS.

Upon receiving a Finding of Completion from Finance, and after the oversight board makes a finding the loan was for legitimate redevelopment purpose, HSC section 34191.4(b) may cause these items to be enforceable in future ROPS.

- Administrative costs funded by RPTTF exceed the allowance by \$123,500. HSC section 34171(b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$111,345. Therefore, \$123,500 of the claimed \$125,000 is not an enforceable obligation. The following items were considered administrative expenses and therefore have been reclassified:
  - Item No. 9 – Consulting Services in the amount of \$47,239
  - Item No. 11 – Potential Litigation Professional Services in the amount of \$250,000
  - Item No. 13 – County Wide Cost Allocation in the amount of \$52,000
  - Item No. 18 – Legal Consultant Services in the amount of \$204,855
  - Item No. 19 – Consulting Services in the amount of \$40,763
  - Item No. 20 – Legal Services in the amount of \$30,000
  - Item No. 21 – Audit Consulting Services in the amount of \$558,000
  - Item No. 23 – Financial Professional Services in the amount of \$98,492
  - Item No. 25 – Property Maintenance Services in the amount of \$386,714

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$3,961,503 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 4,431,337
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 9*	5,000
Item 11*	100,000
Item 13*	26,000
Item 16	100,500
Item 18*	25,000
Item 19*	5,000
Item 20*	15,000
Item 21*	15,000
Item 23*	20,000
Item 25*	37,500
Item 45	284,529
Item 46	8,516
Item 47	2,151
Item 48	1,472
Item 49	74,166
Total approved RPTTF for enforceable obligations	\$ 3,711,503
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 3,961,503</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/>.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have

Ms. Dena Fuentes

April 14, 2013

Page 4

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 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,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Gary Hallen, Deputy Director of Community Development and Housing, San Bernardino County  
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County  
California State Controller's Office