



May 16, 2014

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

Dear Ms. Fuentes:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. 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 14-15A) to Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 May 2, 2014.

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, as further discussed below:

- Item Nos. 49 and 52 – The San Bernardino County loan repayment totaling \$10,639,341. The Agency received a Finding of Completion on December 5, 2013. As such, the Agency may place loan agreements between the former RDA and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies 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 fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$0 and \$1,470,301, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$735,150. Therefore, of the \$1,220,000 requested, \$484,850 is not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 15-16A.

During the meet and confer, the Agency did not contest the amount allowed for the ROPS 14-15A period; however, the Agency contested the total outstanding amount of the loan or

\$10,639,341, as reported by Finance. We note that HSC section 34191.4 requires the recalculation of the accumulated interest at a rate not to exceed the interest rate earned by funds deposited in the LAIF at the time the Oversight Board finds that the loan was for legitimate redevelopment purposes and is deemed an enforceable obligation. Therefore, the Agency should recalculate the interest using the LAIF interest rate at the time the Agency's Oversight Board made the finding the loan was for legitimate redevelopment purposes and reflect the reduction to the loan's total outstanding balance in subsequent ROPS submittals.

Since the amount requested for ROPS 14-15A does not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A), Finance continues to approve the amount approved in our April 14, 2014 letter to the Agency and will work with the Agency in future periods to determine the actual amount outstanding.

- Item Nos. 12 through 15 – Various items totaling \$133,500 payable from Other Funds. Finance continues to reclassify portions of these items as administrative expenses payable from RPTTF. As stated in our previous review, the types of services requested totaling \$93,450 are considered general administrative costs and have been reclassified in the amounts specified as follows:
 - Item No. 12 – Central services in the amount of \$14,000 of the \$20,000 requested.
 - Item No. 13 – General County services in the amount of \$14,000 of the \$20,000 requested.
 - Item No. 14 – General County services in the amount of \$35,000 of the \$50,000 requested.
 - Item No. 15 – EDA services in the amount of \$30,450 of the \$43,500 requested.

The Agency contends that HSC section 34171 (b) only limits the administrative costs that can be paid from RPTTF and that it does not limit the administrative costs payable from Other Funds. However, our review indicates that the administrative budget approved by the oversight board totaled \$125,000 and did not include items payable from Other Funds. Therefore, we maintain the above amounts are related to general administrative costs and have been reclassified.

In addition, per Finance's letter dated April 14, 2014, we maintain our determination on the following items not contested by the Agency during the Meet and Confer:

- Item No. 11 – Litigation Professional Services in the amount of \$30,000. Although the Agency requested \$100,000, only \$70,000 for this service will be needed in the ROPS 14-15A period. Therefore, the excess \$30,000 (\$100,000-\$70,000) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 41 – Other Outside Consultants costs in the amount of \$400,000. There are no expenditure contracts in place and allocating funds for unknown contingencies is not an allowable use of funds. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and is not eligible for Other Funds.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (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 available cash balances totaling \$3,985,776, including \$2,448,169 from Reserve Balances and \$1,497,607 from Other Funds.

Therefore, with the Agency's concurrence, the funding sources for the following items have been reclassified to Reserve Balances or Other Funds and in the amounts specified below:

- Item No. 1 – 2005 San Sevaine Tax Allocation Bond (TAB) debt service payment in the amount of \$1,885,250. The Agency requests \$1,885,250 from RPTTF; however, Finance is reclassifying \$1,591,610 to Reserves. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Reserve Balances in the amount of \$1,591,610 and \$293,640 from RPTTF, totaling \$1,885,250.
- Item No. 2 – 2010 San Sevaine TAB debt service payment in the amount of \$1,356,498. The Agency requests \$241,461 from Other Funds and \$1,115,037 from RPTTF; however, Finance is reclassifying \$896,559 to Reserve Balances and \$218,478 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Reserve Balances in the amount of \$896,559, and the use of Other Funds in the amount of \$459,939, totaling \$1,356,498.
- Item No. 3 – 2010 Cedar Glen TAB debt service payment in the amount of \$218,929. The Agency requests \$218,929 from RPTTF; however, Finance is reclassifying \$218,929 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$218,929.
- Item No. 9 – Consulting Services Contract in the amount of \$5,000. The Agency requests \$5,000 from RPTTF; however, Finance is reclassifying \$5,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$5,000.
- Item No. 10 – Bond Counsel costs in the amount of \$5,000. The Agency requests \$5,000 from RPTTF; however, Finance is reclassifying \$5,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$5,000.
- Item No. 11 – Litigation Professional Services in the amount of \$100,000. The Agency requests \$100,000 from RPTTF; adjusted to \$70,000. Finance is reclassifying \$70,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the

Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$70,000.

- Item No. 16 – Salaries and Benefits in the amount of \$184,800. The Agency requests \$54,000 from Other Funds, \$16,000 from RPTTF, and \$114,800 from the Administrative Cost Allowance for this item. Finance is reclassifying \$16,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$16,000.
- Item No. 19 – Financial Consulting services in the amount of \$5,000. The Agency requests \$5,000 from RPTTF; however, Finance is reclassifying \$5,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$5,000.
- Item No. 20 – County Counsel legal services in the amount of \$20,000. The Agency requests \$20,000 from RPTTF; however, Finance is reclassifying \$20,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$20,000.
- Item No. 21 – Bond Auditing and Consulting services in the amount of \$25,000. The Agency requests \$25,000 from RPTTF; however, Finance is reclassifying \$25,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$25,000.
- Item No. 23 – Financial Consulting services in the amount of \$15,000. The Agency requests \$15,000 from RPTTF; however, Finance is reclassifying \$15,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$15,000 for this item.
- Item No. 25 – Property Maintenance costs in the amount of \$50,000. The Agency requests \$50,000 from RPTTF; however, Finance is reclassifying \$50,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving the use of Other Funds in the amount of \$50,000.
- Item No. 26 – Real Estate Professional services in the amount of \$15,000. The Agency requests \$15,000 from RPTTF; however, Finance is reclassifying \$15,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has

available cash totaling \$3,985,776. Therefore, Finance is approving the use of Other Funds in the amount of \$15,000.

- Item Nos. 49 and 52 – County Loan Repayment in the amount of \$1,220,000. The Agency requested \$1,220,000 from RPTTF; \$735,150 of the requested amount is eligible for RPTTF funding this period, as discussed above. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has available cash totaling \$3,985,776. Therefore, Finance is approving Other Funds in the amount of \$735,150.

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 county auditor-controller (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 or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$454,992 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	4,695,216
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 4,820,216
Total RPTTF requested for non-administrative obligations	4,695,216
<u>Denied Items</u>	
Item No. 11	(30,000)
Item No. 52	(484,850)
	(514,850)
Total RPTTF for non-administrative obligations	4,180,366
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(1,591,610)
Item No. 2	(1,115,037)
Item No. 3	(218,929)
Item No. 9	(5,000)
Item No. 10	(5,000)
Item No. 11	(70,000)
Item No. 16	(16,000)
Item No. 19	(5,000)
Item No. 20	(20,000)
Item No. 21	(25,000)
Item No. 23	(15,000)
Item No. 25	(50,000)
Item No. 26	(15,000)
Item No. 49	(240,000)
Item No. 52	(495,150)
	(3,886,726)
Total RPTTF authorized for non-administrative obligations	\$ 293,640
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 12	14,000
Item No. 13	14,000
Item No. 14	35,000
Item No. 15	30,450
	93,450
Total RPTTF authorized for administrative obligations	\$ 218,450
Total RPTTF authorized for obligations	\$ 512,090
ROPS 13-14A prior period adjustment	(57,098)
Total RPTTF approved for distribution	\$ 454,992

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

<http://www.dof.ca.gov/redevelopment/ROPS>

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.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Gary Hallen, Deputy Director of Community Development and Housing, San Bernardino County
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office