



REVISED

May 24, 2016

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: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 29, 2016. Finance issued a ROPS determination letter on April 14, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 29, 2016.

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 determinations being disputed.

- Items Nos. 1 through 6, 54, and 55 – Various bond payments. During the Meet and Confer Finance worked with the Agency to determine the actual debt service amount for the ROPS 16-17. Based on the debt service schedules and the bond indentures, the total amount needed to satisfy ROPS 16-17 debt service is \$10,245,261. Specifically, Finance approves \$8,724,343 from the Property Tax Trust Fund (RPTTF), \$1,325,918 from Other Funds, and \$195,000 from Reserve Balances. Please see attachment B on Page 6 for adjustments made by Finance.
- Item No. 21 – Audit Consulting Services in the amount of \$10,000. Finance no longer denies this item but reclassifies the item as an administrative cost. Finance previously determined that the Agency did not provide adequate documentation, such as an executed contract and invoices to support the requested funding. During the Meet and Confer the Agency provided invoices to support the amount requested and contended that it had previously provided an audit engagement letter to support this item. The Agency further claimed that these costs are for the annual bond disclosure audit. However, our review indicates that the engagement letter, previously provided by the Agency, is dated October 1, 2012 and is specific to the fiscal year ending June 30, 2012. In addition, the invoices, while addressed to the Agency and dated September through November 2015, include both audit costs and ROPS preparation but do not specify that

the costs are for the bond disclosure audit. Therefore, Finance has determined that the amounts requested are administrative in nature and payable from the administrative cost allowance.

- Item No. 25 – Maintenance of properties in the total outstanding amount of \$60,000. Finance continues to partially approve this item in the amount of \$2,000. Finance previously determined that only \$2,000 of the \$60,000 requested is related to property owned by the Agency. This determination was based on invoices provided by the Agency which included maintenance for properties listed as “for sale” and as “for future development” on the Long Range Property Management Plan (LRPMP). It is our expectation that properties listed “for future development” should be transferred to the County pending the execution of a compensation agreement with the taxing entities as per the LRPMP. However, costs associated with property maintenance of properties held “for sale” are eligible for RPTTF.

During the Meet and Confer the Agency contended that this item is related to maintenance of the Cedar Glen and San Sevaime properties, both listed as “for sale” on the LRPMP. In addition, the Agency contended during the Meet and Confer that it would support that the amounts needed for ROPS 16-17 will exceed the \$2,000 annual amount approved by Finance. However, the Agency only provided 5 invoices for a total of two properties; three invoices from 2014 totaling \$5,806 and two invoices from 2015 totaling \$1,340. Based on the most recent invoices, Finance has determined that the Agency has not supported that more than \$2,000 is needed in ROPS 16-17, prior to the sale of the property. Therefore, although \$60,000 was requested, only \$2,000 in property maintenance costs are related to property owned by the Agency and are supported. Therefore, the excess \$58,000 (\$60,000 - \$2,000) is not eligible for RPTTF funding.

- The Agency’s claimed administrative costs exceed the allowance by \$83,710. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year, or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency’s maximum ACA is \$250,000 for the fiscal year 2016-17. After the reclassification of Item No. 21 explained above, is claimed for administrative cost. However, only \$250,000 is available pursuant to the cap. Therefore, \$83,710 of excess administrative costs is not allowed.

In addition, per Finance’s letter dated April 14, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 20 and 23 – County Counsel and Financial – Professional Services KMA. Although enforceable, the types of services requested totaling \$14,000 (\$10,000 + \$4,000) are considered general administrative costs and have been reclassified.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency’s self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency

possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,951,343 as summarized in the Approved RPTTF Distribution Table on Page 5-6 (See Attachment A).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be

denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
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

Attachment A

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 4,885,726	\$ 4,916,990	\$ 9,802,716
Requested Administrative RPTTF	151,617	158,093	309,710
Total RPTTF requested for obligations on ROPS 16-17	5,037,343	5,075,083	\$ 10,112,426
Adjustment to Agency Requested RPTTF			
<u>Adjusted Items</u>			
Item No. 2	654,751	0	654,751
Item No. 3	85,000	0	85,000
Item No. 5	0	1,471,880	1,471,880
Item No. 6	0	27,703	27,703
Item No. 54	2,873,067	52,871	2,925,938
Item No. 55	0	2,391,931	2,391,931
	<u>3,612,818</u>	<u>3,944,385</u>	<u>7,557,203</u>
Total RPTTF adjustments	3,612,818	3,944,385	7,557,203
Total RPTTF requested	8,498,544	8,861,375	17,359,919
<u>Denied Items</u>			
Item No. 1	(2,064,229)	(872,263)	(2,936,492)
Item No. 2	0	(735,941)	(735,941)
Item No. 4	(1,525,000)	(2,379,143)	(3,904,143)
Item No. 25	(29,000)	(29,000)	(58,000)
	<u>(3,618,229)</u>	<u>(4,016,347)</u>	<u>(7,634,576)</u>
<u>Reclassified Items</u>			
Item No. 20	(5,000)	(5,000)	(10,000)
Item No. 21	(5,000)	(5,000)	(10,000)
Item No. 23	(2,000)	(2,000)	(4,000)
	<u>(12,000)</u>	<u>(12,000)</u>	<u>(24,000)</u>
Total RPTTF authorized	4,868,315	4,833,028	\$ 9,701,343
Total Administrative RPTTF requested	151,617	158,093	309,710
<u>Reclassified Items</u>			
Item No. 20	5,000	5,000	10,000
Item No. 21	5,000	5,000	10,000
Item No. 23	2,000	2,000	4,000
	<u>12,000</u>	<u>12,000</u>	<u>24,000</u>
Total Administrative RPTTF after Finance adjustments	163,617	170,093	333,710
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(83,710)	(83,710)
Total Administrative RPTTF authorized	163,617	86,383	\$ 250,000
Total RPTTF approved for distribution	5,031,932	4,919,411	\$ 9,951,343

Attachment A (Continued)

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 9,930,958
Less sponsoring entity loan and Administrative RPTTF	3,418,409
Actual RPTTF distributed for 2015-16 after adjustment	6,512,549
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	333,710
Administrative Cost Allowance in excess of the cap	\$ (83,710)

Attachment B
Bond Payment Adjustment Summary

16-17A									
Item No.	Reserve Balances Requested	Other Funds Requested	RPTTF Requested	Reserve Balances Adjusted by Finance	RPTTF Reclassified by Finance	RPTTF Increased by Finance	RPTTF Denied by Finance	Total Debt Service Approved	RPTTF Total*
			a		b	c	d		* = a+b+c+d
1	0	0	2,064,229	0	0	0	-2,064,229	0	0
2	0	1,325,918	220,000	0	0	654,751	0	2,200,669	874,751
3	0	0	223,497	0	0	85,000	0	308,497	308,497
4	0	0	1,525,000	0	0	0	-1,525,000	0	0
5	0	0	0	0	0	0	0	0	0
6	85,000	0	0	-85,000	0	0	0	0	0
54	0	0	0	0	0	2,873,067	0	2,873,067	2,873,067
55	0	0	0	0	0	0	0	0	0
Totals	\$85,000	\$1,325,918	\$4,032,726	(\$85,000)	\$0	\$3,612,818	(\$3,589,229)	\$5,382,233	4,056,315

16-17B									
Item No.	Original Reserve Balances Requested	Other Funds Requested	Original RPTTF Requested	Reserve Balances Adjusted by Finance	RPTTF Reclassified by Finance	RPTTF Increased by Finance	RPTTF Denied by Finance	Total Debt Service Approved	RPTTF Total*
			a		b	c	d		* = a+b+c+d
1	0	0	872,283	0	0	0	-872,283	0	0
2	0	0	1,236,880	0	0	0	-735,941	500,939	500,939
3	0	0	135,204	0	0	0	0	135,204	135,204
4	1,525,000	0	2,379,143	-1,525,000	0	0	-2,379,143	0	0
5	0	0	0	0	0	1,471,880	0	1,471,880	1,471,880
6	0	0	87,500	195,000	0	27,703	0	310,203	115,203
54	0	0	0	0	0	52,871	0	52,871	52,871
55	0	0	0	0	0	2,391,931	0	2,391,931	2,391,931
Totals	\$1,525,000	\$0	\$4,710,990	(\$1,330,000)	\$0	\$3,944,385	(\$3,987,347)	4,863,028	4,668,028