



April 11, 2017

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: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino County Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on January 27, 2017. Finance has completed its review of the ROPS 17-18.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 2 – 2010 Series A & B Tax Allocation Bonds (TABs), San Sevaire has been increased by \$1,471,880 in Reserve Balances for the July through December 2017 (ROPS 17-18A) period and reduced by \$485,004 in Redevelopment Property Tax Trust Funds (RPTTF) for the January through June 2018 (ROPS 17-18B) period.

The Agency did not request funding for this line item in the ROPS 17-18A period. However, a review of the debt service schedule indicates a debt service payment in the amount of \$1,471,880 is due on September 1, 2017. In addition, Finance approved \$1,471,880 in RPTTF to be held by the Agency as reserve to apply towards debt service for this item in the ROPS 17-18A period during ROPS 16-17.

In addition, the Agency originally requested \$1,228,496 from RPTTF and \$485,004 from Other Funds for the ROPS 17-18B period, for a total amount of \$1,713,500 (\$1,228,496 + \$485,004). However, a review of the debt service schedule indicates the debt service amount due March 1, 2018 is only \$1,228,496.

Therefore, Finance made the following adjustments for this item to accurately reflect the correct debt service payment amounts and fund sources:

- ROPS 17-18A period: Increased Reserve Balances by \$1,471,880
- ROPS 17-18B period: Reduced RPTTF by \$485,004 (\$1,713,500 – \$1,228,496)
- Item No. 3 – 2010 Series A TAB, Cedar Glen in the amount of \$195,000 has been adjusted. Finance approved \$310,203 from RPTTF to be held as reserve to apply

toward debt service for this item during ROPS 16-17. Our review of the debt service schedule indicates a principal and interest payment totaling \$310,203 is due September 1, 2017. Therefore, Finance reclassified the \$195,000 RPTTF originally requested to Reserve Balances and increased the amount requested from Reserve Balances from zero to \$115,203 from Reserve Balances in order to accurately reflect the correct debt service payment amount of \$310,203 (\$195,000 +\$115,203) and fund source.

- Item No. 5 – 2010 Series A & B TABs, San Sevaine Debt Service Reserve. The Agency originally requested RPTTF funding in the amount of \$1,228,496 in the ROPS 17-18A period and \$744,793 in the ROPS 17-18B period, for a total fiscal year request of \$1,973,289. The Agency intends to hold on to this funding as reserve to pay for the debt service payment due September 1, 2018.

However, our review of the debt service schedule indicates the total debt service payment due September 1, 2018, is \$1,478,496. Therefore, Finance made an adjustment in the amount of \$494,793 from RPTTF to decrease the requested amount in the ROPS 17-18B period to accurately reflect the correct debt service payment due September 1, 2018. As a result, Finance is approving RPTTF in the amount of \$1,478,496 from RPTTF for this item and the excess \$494,793 (\$1,973,289 - \$1,478,496) is not allowed.

- Item No. 9 – Contract for Consulting Services in the total amount of \$3,000 is partially allowed. The Agency provided an invoice for \$1,950 in annual continuing disclosure services. However, the invoice alone is insufficient to support the total requested amount. Therefore, of the total requested amount, \$1,000 is not eligible for RPTTF funding on the current ROPS. To the extent the Agency can provide documentation, such as additional invoices or a new contract to support the requested amount, additional funding may be considered on a future ROPS.
- Item No. 10 – Bond Counsel in the total outstanding obligation amount of \$45,000 is not allowed. The Agency was unable to provide documentation to support the amount requested. Therefore, this item is not an enforceable obligation and the requested amount of \$2,000 is not eligible for RPTTF funding. To the extent the Agency can provide documentation, such as an executed contract or vendor invoices to support the requested funding, the item may be considered on a future ROPS.
- Item No. 19 – Contract for Consulting Services in the total requested amount of \$4,000 has been reclassified to Administrative RPTTF. The Agency contends the amount requested relates to services for bond proceeds expenditures and provided invoices for financial services to support the requested amount. However, the invoices do not indicate the financial services provided relate to the expenditure of bond proceeds. Therefore, the amount requested is administrative in nature and payable from Administrative RPTTF. To the extent the Agency can provide documentation, such as an executed contract or invoices specifically related to bond consulting services, RPTTF funding may be considered on a future ROPS.
- Item No. 25 – Maintenance of Properties in the total requested amount of \$4,000 is partially allowed. The Agency provided invoices totaling \$2,000 in abatement services. However, the invoices alone are not sufficient to support the total requested amount.

Therefore, of the total requested amount, \$2,000 is not eligible for RPTTF funding. To the extent the Agency can provide documentation, such as additional invoices or a new contract to support the requested funding, additional funding may be considered on a future ROPS.

- Item No. 54 – 2010 Series A & B TABs, San Sevaine has been increased by \$2,391,931 from Reserve Balances. The Agency did not request funding for this line item in the ROPS 17-18A period. However, our review of the debt service schedule indicates a principal and interest payment totaling \$2,391,931 is due September 1, 2017. Finance approved \$2,391,931 in RPTTF for this item during ROPS 16-17 to apply toward the September 2017 payment. Therefore, Finance made an adjustment in the amount of \$2,391,931 from Reserve Balances to increase the requested amount to accurately reflect the correct debt service payment amount and fund source.
- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF.

Therefore, Finance is approving RPTTF in the amount of \$392,227 and the use of Other Funds in the amount of \$433,236, totaling \$825,463 for Item No. 54 – 2016 Series A & B TABs, San Sevaine Debt Service Reserve, for the ROPS 17-18B period.

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, additional funds requested to be held in reserve, along with the amounts required for the current ROPS period, must be transferred upon receipt to the bond trustees. The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized for other ROPS items.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's previous or related determinations, the Agency 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 on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,758,603 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 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 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:


<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Moses Ofurio, Lead Analyst, at (916) 322-2985.

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

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 2,465,800	\$ 3,655,836	\$ 6,121,636
Administrative RPTTF Requested	237,000	13,000	250,000
Total RPTTF Requested	2,702,800	3,668,836	6,371,636
RPTTF Requested	2,465,800	3,655,836	6,121,636
<u>Adjustments</u>			
Item No. 2	0	(485,004)	(485,004)
Item No. 3	(195,000)	0	(195,000)
Item No. 5	0	(494,793)	(494,793)
Item No. 9	0	(1,000)	(1,000)
Item No. 10	(2,000)	0	(2,000)
Item No. 19	(2,000)	(2,000)	(4,000)
Item No. 25	0	(2,000)	(2,000)
Item No. 54	0	(433,236)	(433,236)
	(199,000)	(1,418,033)	(1,617,033)
RPTTF Authorized	2,266,800	2,237,803	4,504,603
Administrative RPTTF Requested	237,000	13,000	250,000
<u>Adjustments</u>			
Item No. 19	2,000	2,000	4,000
Administrative RPTTF Authorized	239,000	15,000	254,000
Total RPTTF Approved for Distribution	\$ 2,505,800	\$ 2,252,803	\$ 4,758,603