



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino County Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 27, 2017. Subsequently, the Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 25, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed:

- Item Nos. 2, 5, 54, and 55 – 2010 Series A & B Tax Allocation Bonds (TABs) and 2016 Series A & B TABs, San Sevaine debt service payment and reserves. Finance originally made various adjustments to Reserve balances and funding requested from Redevelopment Property Tax Trust Fund (RPTTF) to reflect the amount of Reserves used and RPTTF funding necessary to meet the debt service payment due during the ROPS 17-18 period. In addition, \$433,236 in RPTTF for Item No. 54 was reclassified to available Other Funds due to the cash balance review.

During the Meet and Confer, the Agency stated they do not have \$433,236 available in Other Funds that was previously reclassified from RPTTF. The Agency clarified that although the Cash balance shows \$1,448,832 available in Other Funds as of June 30, 2016, \$1,325,918 was approved during ROPS 16-17 for Item No. 2 and the Agency used an additional \$30,884 for Item No. 54. As such, the remaining available balance in Other Funds is approximately \$92,030 (\$1,448,832 - \$1,325,918 - \$30,884). However, the Agency is uncertain if the entire amount is still available. Therefore, Finance will not reclassify the \$433,236 at this time and continue to work with the Agency to reconcile Other Funds reported on the cash balance form on a future ROPS.

The Agency further contended the adjustments will cause insufficient RPTTF to be held in reserves to be applied towards debt service due during ROPS 18-19A period as required by the bond indentures. The Agency provided additional clarification and documentation to support the necessary adjustments to Reserve Balances and RPTTF amounts requested. Based on further review of the debt service schedule, the total amount needed to satisfy debt service and reserves is \$11,855,688. As such, with the Agency's concurrence, Finance made adjustments to amounts requested on the ROPS to reflect the correct amounts due per the debt service schedules. Therefore, Finance is approving \$6,681,410 from RPTTF, \$485,004 from Other Funds, and \$4,689,274 from Reserve Balances. Refer to Attachment B on Page 6 for adjustments made by Finance.

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.

- Item No. 19 – Contract for Consulting Services in the amount of \$4,000. Finance initially reclassified this item to administrative RPTTF due to its administrative nature. During the Meet and Confer, the Agency stated that funding for this item is no longer necessary for this ROPS period; however, this funding may be requested on a future ROPS. As such, with the Agency's concurrence, Finance adjusted the requested amount from \$4,000 to zero.

In addition, per Finance's letter dated April 11, 2017, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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. 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

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. 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 insufficient 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.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,394,832 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment A).

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.

This is Finance's final 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/>

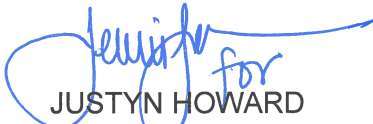
Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have 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.

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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 Anna Kyumba, Supervisor, or Jessica Yip, 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 A

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. 3	(195,000)	0	(195,000)
Item No. 5	0	248,699	248,699
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	(825,463)	(825,463)
Item No. 55	0	1,803,960	1,803,960
	(199,000)	1,222,196	1,023,196
RPTTF Authorized	2,266,800	4,878,032	7,144,832
Administrative RPTTF Authorized	237,000	13,000	250,000
Total RPTTF Approved for Distribution	\$ 2,503,800	\$ 4,891,032	\$ 7,394,832

Attachment B: Bond Payment Adjustment Summary

17-18A								
Item No	Reserve Balances Requested	Other Funds Requested	RPTTF Requested	Reserve Balances Adjusted by Finance	Other Funds Adjusted by Finance	RPTTF Adjusted by Finance	Total Debt Service Approved	RPTTF Total*
			a			b		*=a+b
2	0	0	0	1,471,880	0	0	1,471,880	0
5	0	0	1,228,496	0	0	0	1,228,496	1,228,496
54	0	0	0	2,391,931	0	0	2,391,931	0
55	0	0	825,463	0	0	0	825,463	825,463
Totals	\$0	\$0	\$2,053,959	\$3,863,811	\$0	\$0	\$5,917,770	2,053,959

17-18B								
Item No	Reserve Balances Requested	Other Funds Requested	RPTTF Requested	Reserve Balances Adjusted by Finance	Other Funds Adjusted by Finance	RPTTF Adjusted by Finance	Total debt Service Approved	RPTTF Total*
			a			b		*=a+b
2	0	485,004	1,228,496	0	(485,004)	0	1,228,496	1,228,496
5	0	0	744,793	0	485,004	248,699	1,478,496	993,492
54	0	0	825,463	825,463	0	(825,463)	825,463	0
55	0	0	601,503	0	0	1,803,960	2,405,463	2,405,463
Totals	\$0	\$485,004	\$3,400,255	\$825,463	\$0	\$1,227,196	5,937,918	4,627,451