



May 17, 2013

Mr. Jeff Zwack, Development Services Director
City of Upland Successor Agency
460 North Euclid Avenue
Upland, CA 91786

Dear Mr. Zwack:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Upland Successor Agency (Agency) submitted ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 2013. 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 April 25, 2013.

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 item being disputed.

- Item No. 5 – Maintenance Fees reclassified as administrative expenses in the amount of \$30,000. Based on additional information provided to Finance during the Meet and Confer process, Finance no longer reclassifies Item No. 5 as an administrative cost. The Agency noted that all items relating to Item No. 5 are maintenance costs relating to property owned by the Agency.
- Item No. 7 – Legal Fees reclassified as administrative expenses in the amount of \$12,500. Finance continues to reclassify this item. Although enforceable, this item is considered an administrative cost. The Agency contends that this item is an enforceable obligation per HSC section 34171 (b). This item does not fall into any of the following categories that are specifically excluded from the administrative cost as define by HSC section 34171 (b):
 - Any Litigation expense related to assets or obligations.
 - Settlements and judgments.
 - The cost of maintaining assets prior to disposition.
 - Employee cost associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, Item No. 7 continues to be reclassified.

- Item No. 13 – Foothill Family Shelter in the amount of \$12,000. Finance continues to deny this item. The agreement, dated November 12, 1990, is not an enforceable obligation. In the agreement under section (B) (2), Agency Discretion states that “the making of the grant by the Agency shall be at the sole and exclusive discretion of the Agency.” As the Agency has the authority to cease granting funds to the Foothill Family Shelter in any given calendar year with 90 day notice, there is no real obligation to make this payment. The agreement was amended on March 2001 and April 2011; however, only the term and annual amounts were amended. No change was made to the Agencies discretion. This item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Prior period adjustment for the July through December 2012 period in the amount of \$73,858 has been revised to \$0 based on additional information received from the County Auditor Controller.

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance’s final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance’s determination is effective for this time period only and should not be conclusively relied on 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 Agency’s maximum approved RPTTF distribution for the reporting period is \$2,747,629 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,634,629
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 7*	12,500
Item 13	12,000
Total approved RPTTF for enforceable obligations	\$ 2,610,129
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	137,500
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 2,747,629

*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 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/](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 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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Liz Chavez, Housing Manager, City of Upland
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office