



April 11, 2017

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

Dear Mr. Zwack:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Upland 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 30, 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. 8 – Bond Banking Services in the total requested amount of \$5,500 is partially allowed. The U.S. Bank Schedule of Fees provided supports only \$3,700 in annual trustee fees. Therefore, the excess amount of \$1,800 (\$5,500 - \$3,700) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 10 – Administrative Costs in the total requested amount of \$250,000 have been reclassified to Administrative RPTTF. The Agency requested Fiscal Year 2017-18 administrative funding from RPTTF instead of Administrative RPTTF in error. As such, Finance has reclassified the \$125,000 requested in each ROPS period to Administrative RPTTF.

In addition, although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3), Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

- 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 \$2,439,167 and the use of Other Funds in the amount of \$55,833, totaling \$2,495,000, for Item No. 15 – 2013 Tax Allocation Bonds, for the ROPS 17-18 period.

Except for the items 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/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,362,766 as summarized in the Approved RPTTF Distribution table on Page 4 (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,

A handwritten signature in blue ink, appearing to read "Justyn Howard", with a large circular flourish on the left side.

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Liz Chavez, Development Services Manager, City of Upland
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	\$ 3,288,088	\$ 132,311	\$ 3,420,399
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	3,288,088	132,311	3,420,399
RPTTF Requested	3,288,088	132,311	3,420,399
<u>Adjustments</u>			
Item No. 8	(1,800)	0	(1,800)
Item No. 10	(125,000)	(125,000)	(250,000)
Item No. 15	(55,833)	0	(55,833)
	(182,633)	(125,000)	(307,633)
RPTTF Authorized	3,105,455	7,311	3,112,766
Administrative RPTTF Requested	0	0	0
<u>Adjustments</u>			
Item No. 10	125,000	125,000	250,000
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 3,230,455	\$ 132,311	\$ 3,362,766