



May 17, 2018

Ms. Cheryl Murase, Consultant, HdL Coren & Cone
City of Adelanto
1340 Valley Vista Drive, Suite 200
Diamond Bar, CA 91765

Dear Ms. Murase:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Adelanto Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 31, 2018. 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 30, 2018.

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 No. 1 – Adelanto Improvement Project Area, Tax Allocation Refunding Bonds Series 1993, requested amount of \$2,391,501, is partially allowed. The Agency requests the use of Reserve Balances in the amount of \$1,163,575 and Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$1,227,926 for debt service due.

During the Meet and Confer, the Agency requested the amount of Reserve Balances originally requested be adjusted to \$973,375. As such, to accurately reflect the debt service schedule, Finance is adjusting the requested amount from Reserve Balances by \$190,200. Therefore, Finance approves \$973,375 (\$1,163,575 – \$190,200) in Reserve Balances and \$1,227,926 in RPTTF, totaling \$2,201,301.

- Item No. 6 – County of San Bernardino Tax Increment Loan (County Deferral Loan), requested amount of \$865,168, is not allowed at this time. The Agency did not provide new documentation or information during the Meet and Confer. It is our understanding payments are not due on this item until pending litigation has been resolved; however, the Agency is requesting funding to build a cash reserve for future payment.

Pursuant to HSC section 34171 (d) (1) (A), a reserve may be held when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provision of the bond for the next payment due in the following half of the calendar year. Although the County Deferral Loan may be considered an indebtedness of the former Redevelopment Agency, it is not a bonded obligation.

Further, a review of documentation provided by the Agency did not reveal any requirement for the Agency to accumulate and retain cash for a future balloon payment. Should the litigation be resolved and the Agency is required to make payment for this item, funding may be listed on a future ROPS for Finance's review and approval. As a result, the requested RPTTF funding in the amount of \$865,168 is not allowed. The Agency may request funding for this item on future ROPS, when litigation has been concluded.

To the extent this County Deferral Loan represents a County pass-through agreement as defined in HSC section 34183 (a) (1) (A), the San Bernardino County Auditor-Controller (CAC) is responsible for determining amounts owed and making payments for this pass-through agreement prior to distributing RPTTF to the Agency for approved enforceable obligations listed on the ROPS.

- Finance initially reclassified \$1,287,673 in RPTTF unexpended from the ROPS 15-16 period, \$72,286 in Other Funds, and \$7,071,136 from prior Reserve Balances, totaling \$8,431,095 based on our review of the Cash Balance Form. The unexpended RPTTF funds are considered Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. After additional documentation and information was provided to Finance during the Meet and Confer, it was determined \$237,656 in Other Funds is available. Therefore, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 4 – Adelanto Public Financing Authority, Local Agency Third Subordinated 1995 C Revenue Bonds in the amount of \$2,256,032 is partially reclassified. This item does not require payment solely from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$2,018,376 and the use of Other Funds in the amount of \$237,656, totaling \$2,256,032.

Finance notes the Agency is retaining \$559,880 of proceeds from a sale of property that is to be remitted to the CAC to distribute to the taxing entities. Additionally, the Agency has an unsupported beginning balance of bond proceeds totaling approximately \$8,794,423 that will need to be supported with trustee statements to substantiate the cash is restricted during a future Cash Balance review.

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,542,383 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the CAC for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Ms. Cheryl Murase
May 17, 2018
Page 3

This is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

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

This determination is effective for the ROPS 18-19 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 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 Cindie Lor, Supervisor, or Jeremy Bunting, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Ms. Lily Fang, Assistant Financial Director, City of Adelanto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 2,088,805	\$ 4,306,402	\$ 6,395,207
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	2,213,805	4,431,402	6,645,207
RPTTF Requested	2,088,805	4,306,402	6,395,207
<u>Adjustments</u>			
Item No. 4	(237,656)		(237,656)
Item No. 6	(865,168)	0	(865,168)
	(1,102,824)	0	(1,102,824)
RPTTF Authorized	985,981	4,306,402	5,292,383
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 1,110,981	\$ 4,431,402	\$ 5,542,383