



April 13, 2018

Ms. Andrea Miller, City Manager  
City of San Bernardino  
290 North D Street, 3rd Floor  
San Bernardino, CA 92401

Dear Ms. Miller:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Bernardino Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 29, 2018. Finance has completed its review of the ROPS 18-19.

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

- Item No. 9 – 2005B Tax Allocation Bonds; the reported total outstanding balance is adjusted. The Agency reported the total outstanding obligation in the amount of \$10,745,166 in error. Therefore, with the Agency's concurrence, the total outstanding obligation has been adjusted to \$10,754,669 to agree with the debt service schedule.
- Item No. 96 – Reimbursement Agreement for Debt Service on 1999 Certificate of Participations; the reported total outstanding balance is adjusted. The Agency reported the total outstanding obligation in the amount of \$4,391,762 in error. Therefore, with the Agency's concurrence, the total outstanding obligation has been adjusted to \$4,401,763 to agree with the debt service schedule.
- Item No. 130 – Long-Range Property Management Plan (LRPMP) Implementation in the total requested amount of \$100,000 is partially allowed. Finance approved the Agency's LRPMP on December 31, 2015. The Agency contends the requested amount for this item is a budget based on the types of expenses the Agency may incur with respect to the 17 Agency-owned properties yet to be sold.

However, a portion of the requested funding in the amount of \$30,000, which relates to the estimated supplemental vendor services, such as economic analyses, environmental studies, and other miscellaneous third-party specialty vendors, is not fully supported with documentation, such as a contract or proposals, or invoices. Therefore, of the requested \$100,000, \$30,000 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. To the extent the Agency can provide documentation to support the basis of the requested funding, such as contracts, invoices, or approved purchase orders, these supplemental vendor services may be considered on a future ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the 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 necessary to successfully wind-down the Agency.
  
- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$28,829 in RPTTF unexpended from the ROPS 15-16 period available to fund enforceable obligations on the ROPS 18-19. These unexpended RPTTF funds are considered Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amounts specified below:
  - Item No. 38 – Long-Term Property Maintenance in the requested amount of \$100,000 from RPTTF is partially reclassified. This item does not require payment from RPTTF. Therefore, Finance is approving RPTTF in the amount of \$71,171 and Reserve Balances in the amount of \$28,829, for a total of \$100,000.
  
  - Further, Finance notes the OB has approved an amount for property maintenance costs that appears excessive, given the length of time the assets have been available for disposition. HSC section 34177 (e) requires agencies to dispose of assets and properties expeditiously and in a manner aimed at maximizing value. Further, 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 resources required to maintain assets prior to disposition.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, except items that are the subject of litigation disputing our 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 our website:

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

The Agency's maximum approved RPTTF distribution for the reporting period is \$18,106,011 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 County Auditor-Controller 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.

Absent a Meet and Confer, 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:

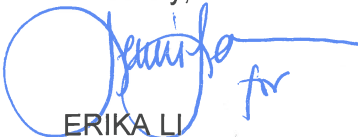
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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 Nichelle Jackson, Supervisor, or Medy Lamorena, Lead Analyst, at (916) 322-2985.

Sincerely,

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

ERIKA LI  
Program Budget Manager

cc: Ms. Lisa Connor, Project Manager, City of San Bernardino  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2018 through June 2019</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 18-19 Total</b>
RPTTF Requested	\$ 13,717,055	\$ 3,918,711	\$ 17,635,766
Administrative RPTTF Requested	411,512	117,562	529,074
<b>Total RPTTF Requested</b>	<b>14,128,567</b>	<b>4,036,273</b>	<b>18,164,840</b>
<b>RPTTF Requested</b>	<b>13,717,055</b>	<b>3,918,711</b>	<b>17,635,766</b>
<u>Adjustments</u>			
Item No. 38	(28,829)	0	(28,829)
Item No. 130	(15,000)	(15,000)	(30,000)
	(43,829)	(15,000)	(58,829)
<b>RPTTF Authorized</b>	<b>13,673,226</b>	<b>3,903,711</b>	<b>17,576,937</b>
<b>Administrative RPTTF Authorized</b>	<b>411,512</b>	<b>117,562</b>	<b>529,074</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 14,084,738</b>	<b>\$ 4,021,273</b>	<b>\$ 18,106,011</b>