



April 13, 2018

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: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino County 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 31, 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. 3 – 2010 Series A Tax Allocation Bonds, Cedar Glen debt service payment in the requested amount of \$439,583 has been adjusted. During ROPS 17-18, Finance approved \$112,878 in Redevelopment Property Tax Trust Fund (RPTTF) to be held as a reserve to apply toward debt service for this item due during ROPS 18-19. Our review of the debt service schedule provided by the Agency indicates a principal and interest payment totaling \$311,704 is due September 1, 2018. Therefore, Finance reclassified the \$112,878 from RPTTF originally requested during ROPS 17-18 to Reserve Balances in order to accurately reflect the correct debt service payment amount of \$439,583 (\$326,705 RPTTF + \$112,878 in Reserve Balances) and fund source as requested by the Agency.

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, any funding requested to be held in reserve along with the amounts required for the current ROPS period must be transferred upon receipt to the bond trustee. 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. 52 – County of San Bernardino Loan repayment in the amount of \$2,159,959 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2017-18 was zero and \$3,965,980, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 18-19 period is \$1,982,990. Therefore of the \$2,159,959 requested, \$176,969 (\$2,159,959 - \$1,982,990) is ineligible for RPTTF. The Agency may be eligible for additional funding on subsequent ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes 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.

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/](http://dof.ca.gov/Programs/Redevelopment/Meet%20And%20Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$8,047,915 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.

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/>

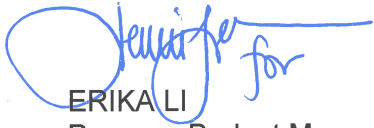
Ms. Dena Fuentes
April 13, 2018
Page 3

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 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 Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
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

Approved RPTTF Distribution			
For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 4,517,771	\$ 3,569,991	\$ 8,087,762
Administrative RPTTF Requested	237,000	13,000	250,000
Total RPTTF Requested	4,754,771	3,582,991	8,337,762
RPTTF Requested	4,517,771	3,569,991	8,087,762
<u>Adjustments</u>			
Item No. 3	(112,878)	0	(112,878)
Item No. 52	(176,969)	0	(176,969)
	(289,847)	0	(289,847)
RPTTF Authorized	4,227,924	3,569,991	7,797,915
Administrative RPTTF Authorized	237,000	13,000	250,000
Total RPTTF Approved for Distribution	\$ 4,464,924	\$ 3,582,991	\$ 8,047,915