



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

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May 17, 2019

Mr. Casey Brooksher, Finance Director
City of Hesperia
9700 Seventh Avenue
Hesperia, CA 92345

Dear Mr. Brooksher:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Hesperia Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 31, 2019. 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 29, 2019.

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 determinations being disputed:

- Item No. 43 – Thompson Appraisals in the total outstanding obligation amount of \$45,000. Finance continues to deny this item. Finance initially denied this item based on our understanding the agreement, entered into on February 4, 2016, and amended on January 24, 2018, was between the City of Hesperia (City) and Smothers Appraisal Company; the former redevelopment agency (RDA) is not a party to the contract. Additionally, Finance noted the agreement expires June 30, 2019, prior to the beginning of the ROPS 19-20 period. During the Meet and Confer review, the Agency contended the City entered into the contracts in its capacity as the Successor Agency to the former RDA, and the appraisals are for agency-owned properties that will allow the Agency to sell the property at its highest value.

However, pursuant to HSC section 34173 (g), successor agencies are separate public entities from the entity that provides for its governance. Therefore, the requested amount of \$45,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. To the extent the Agency can provide suitable documentation, such as Agency-executed contracts, or vendor invoices, to support the requested amount, the item may be considered on a future ROPS.
- Item Nos. 75 and 81 – Property Disposition and Continuing Disclosure Costs; outstanding obligation amounts totaling \$88,500. Finance continues to deny these items. Finance initially denied them understanding these agreements, entered into on August 29, 2018 and August 27, 2018, were between the City and third party vendors; the former RDA is not a party to the contracts. During the Meet and Confer review, the Agency contended the City entered into the contracts in its capacity as the Successor Agency to the former RDA, and the costs are necessary to expeditiously sell remaining properties and ensure financial penalties are not imposed by failing to file Continuing Disclosures.

However, pursuant to HSC section 34173 (g), successor agencies are separate public entities from the entity that provides for its governance. Therefore, the requested amounts of \$30,000 and \$1,500, respectively, from RPTTF are not allowed. Again, to the extent the Agency can provide documentation, such as Agency-executed contracts, or vendor invoices, to support the requested amount, the item may be considered on a future ROPS.

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- 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.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,531,959 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's final determination regarding the obligations listed on the ROPS 19-20. 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 denied until the matter is resolved.

The ROPS 19-20 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 19-20 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 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 RPTTF.

Mr. Casey Brooksher
May 17, 2019
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Please direct inquiries to Joshua Mortimer, Supervisor, at (916) 322-2985.

Sincerely,

Cheryl L. McCormick

J JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Anne Duke, Deputy Finance Director, City of Hesperia
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 4,184,036	\$ 3,250,890	\$ 7,434,926
Administrative RPTTF Requested	172,390	172,390	344,780
Total RPTTF Requested	4,356,426	3,423,280	7,779,706
RPTTF Requested	4,184,036	3,250,890	7,434,926
<u>Adjustments</u>			
Item No. 43	(22,500)	(22,500)	(45,000)
Item No. 75	(20,000)	(10,000)	(30,000)
Item No. 81	(1,500)	0	(1,500)
	(44,000)	(32,500)	(76,500)
RPTTF Authorized	4,140,036	3,218,390	7,358,426
Administrative RPTTF Authorized	172,390	172,390	344,780
Total RPTTF Authorized for Obligations	4,312,426	3,390,780	7,703,206
Prior Period Adjustment	(171,247)	0	(171,247)
Total RPTTF Approved for Distribution	\$ 4,141,179	\$ 3,390,780	\$ 7,531,959