



October 12, 2012

Mr. Chuck Dantuono  
Director of Administrative Services  
City of Highland  
27215 Base Line  
Highland, CA 92346

Dear Mr. Dantuono:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Highland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 12 – Athletic Center Equipment Lease in the amount of \$80,752 funded by Redevelopment Property Tax Trust Fund (RPTTF). As the former RDA is neither a party to the contract nor responsible for payment of the contract, this line item is not an enforceable obligation.
- Item No. 19 – Public Works Project in the amount of \$24,000 funded by RPTTF. As the former RDA is neither a party to the contract nor responsible for payment of the contract, this line item is not an enforceable obligation.
- HSC 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that construction contracts have not yet been awarded for these projects.
  - Item Nos. 24 through 34, 36 through 43 and 45 – Construction contracts using Bond Proceeds totaling \$34,781,865.
  - Items 49, 54, 57, 59, 61, 64, and 70 – Capital Improvements in the amount of \$462,305 using 2004A and 2007 Bond Proceeds.

Furthermore, HSC section 34191.4 (c) (1) states that until Finance has issued a finding of completion, bond proceeds derived from bonds issued on or before December 31, 2010, shall be used for the purposes for which the bonds were sold. Finance has not issued a

finding of completion to the Agency, and therefore, these items are not enforceable obligations.

- Item No. 63 – Contract with Griffith Company in the amount of \$1.4 million funded by Bond Proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The contract between the City of Highland and the Griffith Company was executed on December 13, 2011. Therefore, this line item is not an enforceable obligation of the former RDA.
- Item No. 87 – NPG Program Contract Administration in the amount of \$13,416 funded by the Low and Moderate Income Housing Fund. HSC section 34176 (a) (1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs.
- Administrative cost claimed exceeds the allowance by \$80,933. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Because Item Nos. 6 through 9, 13, and 16 were reclassified, the allowable administrative costs were adjusted accordingly.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you 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 at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$2,118,896 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 2,108,923
Less: Six-month total for items denied or reclassified as administrative cost	
Item 6*	12,125
Item 7*	12,125
Item 8*	10,000
Item 9*	6,683
Item 12	10,094
Item 13*	25,000
Item 16*	15,000
Item 19	24,000
Total approved RPTTF for enforceable obligations	\$ 1,993,896
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 2,118,896</b>

\*Reclassified administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 236,027
Total RPTTF for the period January through June 2013	1,993,896
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 2,229,923</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	125,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 125,000</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

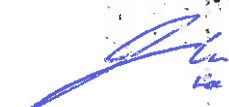
[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Terry Rhodes, Senior Accountant, City of Highland  
Ms. Vaness Doyle, Auditor Controller Manager, County of San Bernardino