



April 14, 2013

Mr. A.J. Wilson, Executive Director
Inland Valley Development Successor Agency
1601 East Third Street
Suite 100
San Bernardino, CA 92408

Dear Mr. Wilson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Inland Valley Development Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 Nos. 4 through 8 – CMB Short Term Loans totaling \$56,095,723. These line items represent joint obligations between the former RDA and San Bernardino International Airport Authority (SBIAA). The Agency has not provided sufficient documentation to support the requests for funding. Therefore, these line items are not enforceable obligations and are not eligible for funding on the ROPS unless additional documentation or clarification is provided through a Meet and Confer process.
- Item No. 11 – San Bernardino Valley Municipal Water District (SBVMWD) Reimbursement Agreement in the amount of \$3,956,384. It is our understanding the agreement with SBVMWD was entered into on July 13, 2011; HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 14 – South Drainage/Gateway South in the amount of \$331,611. The contract provided is between SBIAA and Tom Dodson & Associates. The former RDA is neither a party to the contract nor responsible for payment of the contract. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 16 – Building 56 Improvements in the amount of \$500,000. The Agency provided Resolution 2012-12, which authorizes a grant to SBIAA. The documentation provided to support the funding request was executed on July 25, 2012. HSC section

34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item No. 18 – Airfield Water System Cuts & Caps in the amount of \$100,000. The September 14, 2004 agreement provided obligated the Agency to a \$1.2 million commitment to SBMWD, payable within 18 months of the effective date of the agreement. The Agency was unable to provide additional documentation to support the request for funding at this point. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 19 – Transition Cost/Retirement Obligations in the amount of \$8,025,444. While pension costs are enforceable obligations, the Agency indicated this total amount requested includes legal fees and “other” obligations. Agency correspondence further indicated that a payment schedule for pension liabilities and leave balances is in the process of being prepared, but is not yet available. Therefore; this item is not eligible for funding on the ROPS.
- Item No. 20 – Reserve Requirement for Debt Service Payments in the amount of \$2,104,141. It is our understanding the Agency has requested full year funding for these debt service payments during each ROPS period, resulting in sufficient reserves. HSC section 34171(d) (1) (A) allows for a reserve, when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Therefore, while the item is an enforceable obligation sufficient funding has been received by the Agency to fund debt service payments for the current period. Therefore, Finance is adjusting the requested RPTTF to zero for the July 2013 through December 2013 period and instead is approving payment from reserves.
- Item No. 46 – “I-10”/Tippecanoe Avenue Improvements in the amount of \$4,278,000. It is our understanding that contracts for this line item were awarded after June 27, 2011. This item was also denied as an inclusion to the ROPS for the period January through June 2013 as communicated in the letter dated October 19, 2012; later upheld through the Meet and Confer process in the letter dated December 18, 2012. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 47 – Goods Movement 3rd and 5th Streets in the amount of \$7.5 million. It is our understanding that contracts for this line item were awarded after June 27, 2011. This item was also denied as an inclusion to the ROPS for the period January through June 2013 as communicated in the letter dated October 19, 2012; later upheld through the Meet and Confer process in the letter dated December 18, 2012. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Claimed administrative costs exceed the allowance by \$217,284. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$467,284 is

claimed for administrative costs, only \$250,000 is available pursuant to the cap. Therefore, \$217,284 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$8,161,397 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 15,108,850
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 4	150,000
Item 5	175,000
Item 6	350,000
Item 7	525,000
Item 8	135,000
Item 11	1,323,508
Item 14	331,611
Item 16	450,000
Item 18	100,000
Item 19	1,403,193
Item 20	2,104,141
Item 46	75,000
Item 47	75,000
Total approved RPTTF for enforceable obligations	<u>\$ 7,911,397</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>250,000</u>
Minus: ROPS II prior period adjustment	<u>-</u>
Total RPTTF approved for distribution:	\$ 8,161,397

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

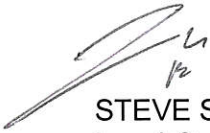
This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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. Alka Chudasma, Interim Director of Finance
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office