



May 17, 2017

Mr. William Garay, Director of Finance
Inland Valley Development Agency
1601 East Third Street, Suite 100
San Bernardino, CA 92408

Dear Mr. Garay:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Successor Agency to the Inland Valley Development Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on February 1, 2017. Subsequently, the Agency requested a Meet and Confer review on one or more of the determinations made by Finance. The Meet and Confer was held on May 3, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 89 and 100 – Reimbursement of the July 2012 True-up Payment in the amount of \$1,594,500. Finance continues to deny this duplicate item. This item represents the remaining balance of the true-up payment due to the San Bernardino County Auditor-Controller (CAC) per the Notice for Demand Letter dated July 9, 2012. Finance originally denied these items because the July 2012 True-up process was in place to collect residual pass-through payments owed to the affected taxing entities for the January through June 2012 period, and was not tied to an enforceable obligation as defined in HSC section 34171 (d). Additionally, the Agency was unable to provide new information supporting this item during this period.

During the Meet and Confer, the Agency contends the July 2012 True-up Payment was calculated in error and no monies should have been paid; therefore, the \$797,250 payment made by the Agency should be restored to the Agency. Further, the Agency claims Finance confirmed the error during our Other Funds and Accounts Due Diligence Review (OFA DDR) process. However, our OFA DDR determination letter does not reference a July True-up calculation error. The OFA DDR review process was to determine whether the Agency had unencumbered funds and the review process did not involve a review of the July 2012 True-up Payment calculation performed by the CAC. Therefore, the requested amount of \$1,594,500 (\$797,250 + \$797,250) in Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed.

Since Item Nos. 72, 89, and 100 are all duplicates of Item No. 53, these items should be retired during ROPS 18-19.

- Item No.103 – Pass-Through Agreements in the amount of \$83,804,573. Finance continues to deny this item. The Agency is requesting RPTTF funding on the ROPS for the Joint Powers Authority (JPA) Contributions or, as an alternative, requests Finance’s confirmation to the CAC that Finance approves of such payments to be made by the CAC as pass-through payments or as enforceable obligations. To the extent the Inland Valley Development Agency (IVDA) had entered into any pass-through agreements, such pass-through payments would be handled through HSC section 34183 and would not be enforceable obligations. To the extent any member contributions are owed to IVDA, such required payments are not an enforceable obligation of IVDA. Rather, such payments would be a revenue source for payments of IVDA’s listed enforceable obligations or flow to the affected taxing entities to the extent there are more revenues than payments due. Finally, during the Meet and Confer, the Agency did not provide any additional information or documentation to support this obligation as enforceable on the ROPS. Therefore, the requested amount of \$4,410,768 in RPTTF funding is not allowed.

Since Item Nos. 87 and 103 are duplicates of Item No. 79, these items should be retired during ROPS 18-19.

- Item 56 – 2014 Tax Allocation Refunding Bonds, Series A and B in the amount of 428,429,837. Finance is no longer reclassifying \$375,798 of RPTTF to Other Funds. Finance initially reclassified these funds because based on a review of Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016 and financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. However, based on the additional information provided during Meet and Confer, Finance is no longer reclassifying \$375,798 of RPTTF to Other Funds and the requested amount of \$12,063,160 is approved in RPTTF funding.

The Agency also contested Item Nos. 13, 19, 91, 96, 97, 98, 99, 101, and 102 during the Meet and Confer. However, pursuant to HSC section 34177 (m) (1), items that are the subject of litigation disputing Finance’s previous or related determination are not eligible for Meet and Confer. As a result, we continue to make the following determinations:

- Item Nos. 13, 96, and 97 – Airport Operations, outstanding obligation amounts totaling \$85,876,894 are not allowed. Finance continues to deny these items. According to the Agency, these line items were listed separately on the ROPS 17-18 because the Airport Operations obligation, although designated as enforceable, was approved for no funding in ROPS 16-17. The Agency was unable to provide supporting documentation to support the amounts requested. Additionally, the contractual basis for the Airport Operations obligation, the Military Base Reuse and Airport Financing Agreement is at issue in current litigation. Therefore, the total requested RPTTF funding in the amount of \$23,777,672 is not allowed, as specified on the following page:

Item No.	Description	Total RPTTF Requested	Total RPTTF Adjusted
13	Airport Operations	\$11,087,738	\$11,087,738
96	Airport Operations	5,500,000	5,500,000
97	Airport Operations – Shortfall	7,189,934	7,189,934
Total		\$23,777,672	\$23,777,672

- Item Nos. 19, 98, and 99 – Transition Cost Obligations, outstanding obligations totaling \$8,010,980 are not allowed. Finance continues to deny these items. Finance originally denied these items because the Agency received sufficient funding to fully satisfy these obligations. The Agency was unable to provide supporting documentation to support the amounts requested. Additionally, the Transition Cost Obligations are subject to current litigation. Therefore, these items are not enforceable obligations and the total requested RPTTF in the amount of \$8,010,980 is not allowed, as specified below:

Item No.	Description	Total RPTTF Requested	Total RPTTF Adjusted
19	Transition Cost Obligations	\$3,204,392	\$3,204,392
98	Transition Cost Obligations	3,204,392	3,204,392
99	Transition Cost Obligations - Shortfall	1,602,196	1,602,196
Total		\$8,010,980	\$8,010,980

- Item Nos. 91 and 101 – ROPS 15-16B RPTTF Shortfall, outstanding obligation amounts totaling \$1,516,400 is not allowed. Finance continues to deny these duplicative items. As stated in our prior determination letters, our review of the Agency's ROPS 15-16B Schedule and the CAC ROPS 15-16B Distribution Report shows that Finance authorized \$9,895,909 from RPTTF, which was fully funded by the CAC through the distribution of RPTTF in the amount of \$9,895,909. As such, no shortfall occurred during the ROPS 15-16B period. Therefore, these items are not enforceable obligations, and the total requested RPTTF funding in the amount of \$1,516,400 (\$758,200 + \$758,200) is not allowed.
- Item No. 102 – Military Base Reuse Contract, total outstanding obligation in the amount of \$24,753,360 is not allowed. Finance continues to deny this item, originally listed on the ROPS as Item Nos. 92 and 93. No funding was requested for Item Nos. 92 and 93 for ROPS 17-18. Finance denied this item because the Agency was unable to provide documentation to support the amount requested. Finance took into consideration the following documents provided by the Agency during our previous reviews:
 - Settlement Agreement between IVDA, Finance, and the California State Controller, dated February 27, 2014
 - Amended JPA Agreement, dated February 12, 1990

- Letter from the Department of the Air Force, dated May 13, 2014
- Indenture of Trust between the Agency and US Bank National Association, dated May 1, 2014, and an Official Statement, both related to the Agency's 2014 Tax Allocation Refunding Bonds

These documents do not establish the existence of any enforceable obligation requiring the Agency to make payments to the IVDA JPA. During the ROPS 17-18 review, the Agency provided an excerpt from the Military Base Reuse and Airport Financing Agreement between the IVDA and San Bernardino International Airport Authority, a list of Short-, Mid-, and Long-Term Development Projects, and a schedule of Proposed Projects to support the request. However, these documents do not establish the existence of any enforceable obligation requiring the Agency to make payment. Therefore, this item is not an enforceable obligation, and the total requested RPTTF funding in the amount of \$3,980,276 is not allowed.

In addition, per Finance's letter dated April 12, 2017, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 58 – Perris Campus Plaza, LLC Tax Reimbursement in the requested amount of \$100,000 is partially allowed. The Agency provided Property Tax Bills totaling \$38,156 for fiscal year July 1, 2016 to June 30, 2017, and a summary of amounts owed to the developer, indicating \$42,758 is owed to the Developer for fiscal year 2016-17.

However, these documents do not fully support the amount requested on the ROPS. Therefore, as the ROPS allows for estimates, given the history of past payments, Finance is authorizing RPTTF in the amount of \$50,000, and \$50,000 is not allowed.

- Finance notes the Agency has listed several item numbers several times on the ROPS. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. ROPS Instructions state that Agencies must maintain the existing line item numbers and should only create a new line item for a new obligation that was not on a prior ROPS. Future ROPS not completed in a manner provided by Finance may be rejected in its entirety and returned to the Oversight Board for reconsideration. The Agency should make an effort to identify and retire all duplicated line items from the ROPS.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency's maximum approved RPTTF distribution for the reporting period is \$12,113,160 as summarized in the Approved RPTTF Distribution table on Page 6 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash

balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

This is Finance's final determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

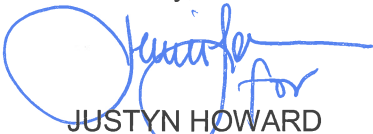
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 the 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 Anna Kyumba, Supervisor, or Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Alka Chudasma, Interim Director of Finance, Inland Valley Development Agency
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 35,324,458	\$ 20,129,298	\$ 55,453,756
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	35,324,458	20,129,298	55,453,756
RPTTF Requested	35,324,458	20,129,298	55,453,756
<u>Adjustments</u>			
Item No. 13	(8,337,738)	(2,750,000)	(11,087,738)
Item No. 19	(2,403,294)	(801,098)	(3,204,392)
Item No. 58	0	(50,000)	(50,000)
Item No. 89	(797,250)	0	(797,250)
Item No. 91	(758,200)	0	(758,200)
Item No. 96	(2,750,000)	(2,750,000)	(5,500,000)
Item No. 97	(4,439,934)	(2,750,000)	(7,189,934)
Item No. 98	(2,403,294)	(801,098)	(3,204,392)
Item No. 99	(1,602,196)	0	(1,602,196)
Item No. 100	(797,250)	0	(797,250)
Item No. 101	(758,200)	0	(758,200)
Item No. 102	(1,990,138)	(1,990,138)	(3,980,276)
Item No. 103	(2,205,384)	(2,205,384)	(4,410,768)
	(29,242,878)	(14,097,718)	(43,340,596)
RPTTF Authorized	6,081,580	6,031,580	12,113,160
Administrative RPTTF Authorized	0	0	0
Total RPTTF Approved for Distribution	\$ 6,081,580	\$ 6,031,580	\$ 12,113,160