



October 22, 2012

Ms. Tina Kundig, Director of Finance
City of Redlands
35 Cajon Street, Suite 15B
Redlands, CA 92373

Dear Ms. Kundig:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redlands Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 7, 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. 1 – Loan for Demand Payment in the amount of \$65,607 payable from Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34183.5, the July true-up process was to distribute the amount of residual property tax revenue to affecting taxing entities based on the amount approved by Finance on the January through June 2012 ROPS. This item is a loan from the City to the Agency to make the July true-up payment to the county auditor-controller. Therefore, this item does not qualify as an enforceable obligation and is not eligible for Property Tax Trust Fund (RPTTF) funding.
- Claimed administrative costs exceed the allowance by \$79,361. HSC section 34171(b) limits the administrative costs to three percent of the property tax allocated to the Agency or \$250,000, whichever is greater. The Agency is eligible for \$265,319 in administrative expenses for the fiscal year 2012013. Therefore, \$79,361 of the claimed \$344,680 is not an enforceable obligation and is not eligible for RPTTF funding. The following items were reclassified as administrative costs: Item Nos. 7, 8, 11, 12, 14 through 22, 24, and 27.

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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$7,150,710 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 7,112,580
Less: Six-month total for items denied or reclassified as administrative cost	
Item 1	65,607
Item 7*	15,095
Item 8*	4,000
Item 11*	1,000
Item 12*	6,000
Item 14*	14,045
Item 15*	67,006
Item 16*	200
Item 17*	7,750
Item 18*	5,000
Item 19*	450
Item 20*	1,550
Item 21*	2,400
Item 22*	16,986
Item 24*	7,500
Item 27*	12,600
Total approved RPTTF for enforceable obligations	\$ 6,885,391
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	265,319
Total RPTTF approved:	\$ 7,150,710

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,958,561
Total RPTTF for the period January through June 2013	6,885,391
Total RPTTF for fiscal year 2012-13:	\$ 8,843,952
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	265,319
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 265,319

*Reclassified as administrative costs

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: Mr. Jim Brown, Economic Development Manager, City of Redlands
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino