



April 13, 2018

Ms. Cheryl Murase, Consultant, HdL Coren & Cone
City of Adelanto
1340 Valley Vista Drive, Suite 200
Diamond Bar, CA 91765

Dear Ms. Murase:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Adelanto Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 31, 2018. Finance has completed its review of the ROPS 18-19.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 1 – Adelanto Improvement Project Area, Tax Allocation Refunding Bonds Series 1993, requested amount of \$2,391,501, is partially allowed. The Agency requests the use of Reserve Balances in the amount of \$1,163,575 and Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$1,227,926 for debt service due.

However, according to the debt service payment schedule, only \$2,224,713 is required for debt service payments due December 1, 2018 through December 1, 2019. As such, to accurately reflect the debt service schedule, Finance is adjusting the requested amount from Reserve Balances by \$166,788 (\$2,391,501 - \$2,224,713). Therefore, Finance approves \$996,787 (\$1,163,575 - \$166,788) in Reserve Balances and \$1,227,926 in RPTTF, totaling \$2,224,713.

- Item No. 6 – County of San Bernardino Tax Increment Loan (County Deferral Loan), requested amount of \$865,168, is not allowed at this time. It is our understanding payments are no longer due on this item until pending litigation has been resolved; however, the Agency is requesting funding to build a cash reserve for future payment.

Pursuant to HSC section 34171 (d) (1) (A), a reserve may be held when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provision of the bond for the next payment due in the following half of the calendar year. Although the County Deferral Loan may be considered an indebtedness of the former Redevelopment Agency, it is not a bonded obligation.

Further, a review of documentation provided by the Agency did not reveal any requirement for the Agency to accumulate and retain cash for a future balloon payment.

As a result, requested RPTTF funding in the amount of \$865,168 is not allowed. The Agency may request funding for this item on future ROPS, when litigation has been concluded.

- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our cash balance review, the Agency has approximately \$1,287,673 in RPTTF unexpended from the ROPS 15-16 period, \$72,286 in Other Funds, and \$7,071,136 from prior Reserve Balances, totaling \$8,431,095, available to fund enforceable obligations on the ROPS 18-19. The unexpended RPTTF funds are considered Reserve Balances. HSC section 34177 (I) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following items have been reclassified from RPTTF to Reserve Balances in the amounts specified below:

Item No.	Project Name/ Debt Obligation	Requested		Adjusted	Approved	
		RPTTF	Reserve Balances	RPTTF	Reserve Balances	RPTTF
1	Adelanto Improvement Project-as adjusted	\$1,227,926	\$ 996,787*	(\$1,227,926)	\$2,224,713	\$0
2	Adelanto Public Financing Authority 1995A Revenue Bonds	177,120	109,280	(177,120)	286,400	0
3	Adelanto Public Financing Authority 1995B Revenue Bonds	1,455,431	638,011	(1,455,431)	2,093,442	0
4	Adelanto Public Financing Authority 1995C Revenue Bonds	2,256,032	0	(2,256,032)	2,256,032	0
5	Adelanto Improvement Area 2007 Bonds	250,020	164,550	(250,020)	414,570	0
9	Administrative Cost Allowance	220,000**	0	(220,000)	220,000	0
10	Administrative Cost Allowance	10,000**	0	(10,000)	10,000	0
11	Bond Administration	10,000	0	(10,000)	10,000	0
12	Administrative Cost Allowance	20,000**	0	(20,000)	20,000	0
28	Administrative Reimbursement	141,910	0	(141,910)	141,910	0
29	Bonds Annual Continuing Disclosure	11,600	0	(11,600)	11,600	0
Totals		\$5,780,039	\$1,908,628	(\$5,780,039)	\$7,688,667	\$0

* The figure represents adjusted balance of \$996,787 (\$1,163,575 - \$166,788) as described above.

** The funding was originally requested from Administrative RPTTF.

The Agency must request the use of the remaining Reserve Balances and Other Funds prior to requesting RPTTF on future ROPS.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, except items that are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. 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 deemed denied until the matter is resolved.

The ROPS 18-19 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 18-19 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 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.

Ms. Cheryl Murase
April 13, 2018
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Please direct inquiries to Nichelle Jackson, Supervisor, or Moses Ofurio, Lead Analyst, at (916) 322-2985.

Sincerely,

ERIKA LI
Program Budget Manager

cc: Ms. Lily Fang, Assistant Financial Director, City of Adelanto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 2,088,805	\$ 4,306,402	\$ 6,395,207
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	2,213,805	4,431,402	6,645,207
RPTTF Requested	2,088,805	4,306,402	6,395,207
<u>Adjustments</u>			
Item No. 1	(143,963)	(1,083,963)	(1,227,926)
Item No. 2	0	(177,120)	(177,120)
Item No. 3	(243,846)	(1,211,585)	(1,455,431)
Item No. 4	(682,418)	(1,573,614)	(2,256,032)
Item No. 5	0	(250,020)	(250,020)
Item No. 6	(865,168)	0	(865,168)
Item No. 11	(5,000)	(5,000)	(10,000)
Item No. 28	(141,910)	0	(141,910)
Item No. 29	(6,500)	(5,100)	(11,600)
	<u>(2,088,805)</u>	<u>(4,306,402)</u>	<u>(6,395,207)</u>
RPTTF Authorized	0	0	0
Administrative RPTTF Requested	125,000	125,000	250,000
<u>Adjustments</u>			
Item No. 9	(110,000)	(110,000)	(220,000)
Item No. 10	(5,000)	(5,000)	(10,000)
Item No. 12	(10,000)	(10,000)	(20,000)
	<u>(125,000)</u>	<u>(125,000)</u>	<u>(250,000)</u>
Administrative RPTTF Authorized	0	0	0
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0