



May 17, 2019

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

Dear Ms. Murase:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Adelanto Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on February 1, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 29, 2019.

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

- Item No. 11 – Bond Administrative Costs in the amount of \$25,758. Finance continues to partially approve this item. During the Meet and Confer review, the Agency did not provide additional documentation. It is our understanding the Agency exceeded the authorized amounts for this item for the July 1, 2016 through June 30, 2017 (ROPS 16-17) period in the amount of \$3,559, the July 1, 2017 to June 30, 2018 (ROPS 17-18) period in the amount of \$3,932, and the July 1, 2018 to June 30, 2019 (ROPS 18-19) period in the amount of \$4,000, totaling \$11,491. In addition, the obligation is currently paid in full for the ROPS periods noted above, and no shortfall exists. Finance reminds the Agency that funds in excess of the amounts approved on a ROPS cannot be expended. As such, Finance will not retroactively grant expenditure authority, and the Agency will not be able to recover these funds. Therefore, the requested \$11,491 in Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.

Pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. Ensure the proper expenditure authority is received from the Oversight Board (OB) and Finance prior to making payments on enforceable obligations.

- Item No. 29 – Bonds Annual Continuing Disclosure Costs in the amount of \$15,400. Finance no longer denies this item. Finance previously denied a portion of the amount requested because it was our understanding the Agency exceeded the authorized amounts for this item for the ROPS 16-17 period in the amount of \$800, the ROPS 17-18 period in the amount of \$800; and the ROPS 18-19 period in the amount of \$800, totaling \$2,400. In addition, it was our understanding the obligation had been paid in full for the ROPS periods noted above, and no shortfall existed. However, during the Meet and Confer review, the Agency explained the obligation has not been paid in full. The Agency provided additional documentation, which included an invoice to further support the requested amount. As a result, Finance approves the entire amount as requested on the ROPS totaling \$15,400 in RPTTF.

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the ROPS 16-17 period. According to our review, the Agency has approximately \$254,788 from Other Funds available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 1 – Adelanto Improvement Project, 1993 B Tax Allocation Bonds in the requested amount of \$2,310,189 is partially reclassified from RPTTF to Other Funds. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$2,055,401 and the use of Other Funds in the amount of \$254,788, totaling \$2,310,189.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the OB has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,124,754 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's final determination regarding the obligations listed on the ROPS 19-20. 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 denied until the matter is resolved.

The ROPS 19-20 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 19-20 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.

Ms. Cheryl Murase
May 17, 2019
Page 3

The amount available from 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 RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Cole Chev, Analyst, at (916) 322-2985.

Sincerely,

Cheryl H. McCormick

J JENNIFER WHITAKER
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 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 2,902,696	\$ 2,263,987	\$ 5,166,683
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	3,027,696	2,388,987	5,416,683
RPTTF Requested	2,902,696	2,263,987	5,166,683
<u>Adjustments</u>			
Item No. 1	(254,788)	0	(254,788)
Item No. 11	(11,491)	0	(11,491)
	(266,279)	0	(266,279)
RPTTF Authorized	2,636,417	2,263,987	4,900,404
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	2,761,417	2,388,987	5,150,404
Prior Period Adjustment	(25,650)	0	(25,650)
Total RPTTF Approved for Distribution	\$ 2,735,767	\$ 2,388,987	\$ 5,124,754