



Transmitted via e-mail

April 14, 2020

Michael Burrows, Executive Director
Inland Valley Development Agency
1601 East Third Street, Suite 100
San Bernardino, CA 92408

2020-21 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Inland Valley Development Agency Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 24, 2020. Finance has completed its review of the ROPS 20-21.

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

- Item No. 13 – Airport Operations, total outstanding obligation amount of \$39,343,480, is not allowed. Since Item No. 13 is currently the subject of litigation, this item will continue to be denied until the matter is resolved. Therefore, the requested amount of \$27,587,738 from Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed.
- Item No. 52 – Inland Valley Development Agency Joint Powers Authority Obligations, total outstanding obligation amount of \$88,454,945, is not allowed. Since Item No. 52 is currently the subject of litigation, this item will continue to be denied until the matter is resolved. Therefore, the requested amount of \$4,650,372 from RPTTF is not allowed.
- Item No. 53 – Reimbursement of the July 2012 True-Up Payment, outstanding obligation amount totaling \$797,250, is not allowed. Finance continues to deny this item. As stated in our previous determination letters, 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. 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). Therefore, the requested amount of \$797,250 from RPTTF is not allowed.
- Item No. 58 – Perris Campus Plaza, LLC in the requested amount of \$50,000 is partially allowed. The final payment will not be calculated until fiscal year 2020-21; however, the estimated final payment is only \$15,000. Therefore, of the \$50,000 requested, \$35,000 (\$50,000 – \$15,000) from RPTTF is not allowed.

- Item No. 77 – Various Reimbursement, Interagency, and Cooperative Agreements, outstanding obligation amount totaling \$20,113,749 is not allowed. Finance continues to deny this item. The Agency previously provided a Settlement Agreement, a Cooperation Agreement, and a Stipulated Judgment (Judgment) to support the amounts requested as further discussed below:
 - The Settlement Agreement between the Agency, Finance, and the California State Controller's Office (SCO). Pursuant to the Settlement Agreement, the Agency was allowed to use Bond Proceeds derived from the Agency's 2011 Tax Allocation Bonds in the amount of \$ 8,925,000 to fund two projects (I-10 Tippecanoe and Goods Movement - 3rd and 5th Street). The Settlement Agreement does not require RPTTF funding for these projects.
 - The Judgment between the City of Redlands (Plaintiff and Petitioner), and the former Redevelopment Agency (RDA), the County of San Bernardino, the City of San Bernardino, the City of Colton, and the City of Loma Linda (Defendants and Respondents). Pursuant to the Judgment, the Court affirmed that Inland Valley Redevelopment Agency (IVDA) was duly formed and validly exists, that an amended joint exercise of powers agreement was properly approved, executed, and entered into, and that the redevelopment plan for the Inland Valley Redevelopment Project Area was validly prepared and adopted by IVDA in accordance with all applicable laws. However, the Judgment does not obligate the RDA to make a financial contribution to any party.
 - The Cooperation Agreement between the RDA and the San Bernardino Valley Municipal Water District (District). It is our understanding the RDA and the District entered into the Agreement for the former RDA to make pass-through payments to the District from tax revenues generated from the Redevelopment Project Area. Pursuant to HSC section 34183 (a) (1), the CAC is responsible for making pass-through payments pursuant to any existing agreements. As the Agreement relates to pass-through payments currently made by the CAC, it is not necessary to list this item on the Agency's ROPS.

Therefore, for the reasons outlined above, the requested amount of \$4,411,412 from RPTTF for Item No. 77 is not allowed.

- The claimed administrative costs exceed the allowance by \$28. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$500,802 for fiscal year 2020-21. Although \$500,830 is claimed for ACA, only \$500,802 is available pursuant to the cap. Therefore, as noted in the table on the following page, \$28 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2019-20	\$17,288,559
Less distributed Administrative RPTTF	(595,175)
RPTTF distributed for 2019-20 after adjustments	\$16,693,384
ACA Cap for 2020-21 per HSC section 34171 (b)	\$500,802
ACA requested for 2020-21	\$500,830
ACA in Excess of the Cap	\$(28)

- Finance notes the Oversight Board (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 (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the CAC's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$17,113,379, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, except items which 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 must use the RAD App to complete and submit its Meet and Confer request form.

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Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. 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 20-21 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 20-21 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 Michael Barr, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Alka Chudasma, Accounting Manager, Inland Valley Development Agency
Linda Santillano, Chief Deputy, Property Tax, San Bernardino County

Approved RPTTF Distribution July 2020 through June 2021			
	ROPS A	ROPS B	ROPS 20-21 Total
RPTTF Requested	\$ 35,790,813	\$ 18,355,356	\$ 54,146,169
Administrative RPTTF Requested	250,415	250,415	500,830
Total RPTTF Requested	36,041,228	18,605,771	54,646,999
RPTTF Requested	35,790,813	18,355,356	54,146,169
<u>Adjustments</u>			
Item No. 13	(22,087,738)	(5,500,000)	(27,587,738)
Item No. 52	(2,325,186)	(2,325,186)	(4,650,372)
Item No. 53	(797,250)	0	(797,250)
Item No. 58	(35,000)	0	(35,000)
Item No. 77	(2,205,706)	(2,205,706)	(4,411,412)
	(27,450,880)	(10,030,892)	(37,481,772)
RPTTF Authorized	8,339,933	8,324,464	16,664,397
Administrative RPTTF Requested	250,415	250,415	500,830
Excess Administrative Costs	0	(28)	(28)
Administrative RPTTF Authorized	250,415	250,387	500,802
ROPS 17-18 prior period adjustment (PPA)	(51,820)	0	(51,820)
Total RPTTF Approved for Distribution	\$ 8,538,528	\$ 8,574,851	\$ 17,113,379