DEPARTMENT OF FINANCE

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April 6, 2013

Ms. Tina Kundig, Director of Finance
City of Redlands
P.O. Box 3005
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 13-14A) to the California Department of Finance (Finance) on February 21, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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. 2 – Loan for Enforceable Obligations in the amount of $2,997,400. The City of Redlands (City) and the Agency entered into a 10-year loan agreement to assist the Agency in the payment of enforceable obligations not fully funded by Redevelopment Property Tax Trust Fund (RPTTF) funds. It is our understanding the request for this ROPS period, $2,997,400, represents the total outstanding loan amount and not the $160,000 payment made during the period January through June 2013. Therefore, we have adjusted the request for payment of this item by $2,837,400.

- Item No. 5 – 2007 Tax Allocation Bonds in the amount of $2,940,000. Based on information provided by the Agency, it appears these bonds were issued by the City, as Taxable Pension Funding Bonds for Police, Fire, and Miscellaneous. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $24,862. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 in administrative expenses. Although $204,824 is claimed for administrative cost, Item No. 13, a legal services contract in the amount of $240,000, and Item No. 15, a lease for office space in the amount of $271,686, are considered administrative expenses and should be counted toward the cap. Therefore, $24,862 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 $3,618,682 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	6,736,167
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 2		2,837,400
Item 5		460,048
Item 13*		1,200
Item 15*		68,837
Total approved RPTTF for enforceable obligations	$	3,368,682
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		250,000
Minus: ROPS II prior period adjustment		-
Total RPTTF approved:	$	3,618,682

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a 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. Mike Nelson, Economic Development Manager, City of Redlands
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office