DEPARTMENT OF FINANCE

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April 12, 2013

Mr. John Dutrey, Housing Program Manager
City of Rialto Successor Agency
150 South Palm Avenue
Rialto, CA 92376

Dear Mr. Dutrey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rialto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 26, 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. 23 – Pusan Pipe Agreement in the amount of $104,736. Sufficient funds have been allocated for this agreement during the ROPS for the period January through June 2013. Therefore, this item is not eligible for the Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 62 – Rialto Crossing Agreement in the amount of $1.8 million, funded by bond proceeds. Finance notes that there is no contract in place for the amount being requested. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, the item is not an enforceable obligation.

- Item Nos. 65, and 68 through 71 – Various Cooperation Agreements totaling $3,556,100, funded by bond proceeds. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county or city and county that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for the issuance of indebtedness to third-party investors or bondholders. The cooperation agreements between the City of Rialto (City) and the former RDA provided to support these items were made after the first two years of the former RDA's creation and were not associated with the issuance of indebtedness to third parties. Therefore, these are not enforceable obligations.

  Upon receiving a Finding of Completion from Finance, and after the oversight board makes a finding the cooperative agreements were for legitimate redevelopment

purposes, HSC section 34191.4 (d) may cause these items to be enforceable in future ROPS periods.

- Item No. 66 – Pepper Avenue Extension Project in the amount of $9,810, funded by bond proceeds. The contract on file indicates the contract termination date was June 30, 2009. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item No. 67 – Pepper Avenue and Citywide HCP Contract in the amount of $17,675, funded by bond proceeds. Finance was notified during the ROPS for the period July through December 2012 that the vendor for this item was no longer needed by the Agency. The item was placed on the current ROPS schedule in error, therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item Nos. 130 and 131 – Various projects between the former RDA, the City, and San Bernardino County totaling $29,162,487, funded by bond proceeds. These items were denied on the ROPS for the period January through June 2013. Finance continues to deny these items at this time. Although the construction contracts include a third party, the Cooperation Agreements are between the City and the former RDA. HSC section 34171(d)(2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA are not enforceable obligations. Therefore, this item is not eligible for bond funding at this time. However, successor agencies will be eligible to expend bond proceeds issued prior to January 1, 2011 once a Finding of Completion is received per HSC section 34191.4 (c).

- Items 132 and 133 – West Jackson Project Agreements totaling $5,872,000, funded by bond proceeds. These items were denied on the ROPS for the period January through June 2103. Finance continues to deny these items at this time; contracts were not in place before June 27, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Although the agreements and former RDA fund transfers were approved prior to June 27, 2011 for the projects; the Cooperation Agreements are between the City and the former RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA are not enforceable obligations. Furthermore, the contracts for these items are between the City and a third party and not the former RDA. Therefore, the items are not eligible for bond funding at this time. However, successor agencies will be eligible to expend bond proceeds issued prior to January 1, 2011 once a Finding of Completion is received per HSC section 34191.4 (c).

- Item No 134 - Crossroads Mixed-Use Housing Agreement in the amount of $7,175,328, funded by bond proceeds. This item was denied on the ROPS for the period January through June 2103. Finance continues to deny the item at this time; contracts were not in place before June 27, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Finance notes that the contract for the project is between the City and a third party and not the former RDA. Also, the Cooperation Agreement in place is between the City and the former RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangement between the city, county or city and county that created the RDA and the former RDA are not enforceable obligations. However, successor agencies will be eligible to expend bond proceeds

issued prior to January 1, 2011 once a Finding of Completion is received per HSC section 34191.4 (c).

- Item Nos. 135 and 136 – Various pass-through payments totaling $698,386 payable with RPTTF. It is our understanding that the county auditor controller will be making these payments; therefore the request for these items was placed on the ROPS in error.

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 $5,573,465 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	5,519,503
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 23		50,000
Item 135		20,541
Item 136		41,082
Total approved RPTTF for enforceable obligations	$	5,407,880
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		165,585
Minus: ROPS II prior period adjustment		-
Total RPTTF approved for distribution:	**$**	**5,573,465**

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 only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i).

Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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. Robb Steel, Assitant to the City Administrator/Development Services Director
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controllers Office