



November 10, 2014

Ms. Vanessa Martinez, Assistant Finance Director
City of Adelanto
11600 Air Expressway
Adelanto, CA 92301

Dear Ms. Martinez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Adelanto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 1 – Adelanto Improvement Project Tax Allocation Refunding Bonds, Series 1993B in the amount of \$1,161,500 requested for the ROPS 14-15B period has been adjusted by \$916,675. It is our understanding the bond indenture requires prefunding of the bond series one year in advance. HSC section 34171(d) (1) permits the creation of reserve if required by the bond indenture.

Union Bank, Trustee, confirmed in a letter dated April 23, 2014, that sufficient funds have been received to pay principal and interest on the 1993B bonds through December 1, 2014. However, \$1,161,500 will be needed on or after December 2, 2014 for payment of principal and interest due on June 1 and December 1, 2015.

Finance authorized \$916,675 in ROPS 14-15A from the available funds with the Agency, leaving a balance of \$244,825 to make up the \$1,161,500 (\$916,675 + \$244,825) due June 1 and December 1, 2015. Therefore, the excess amount, \$916,675, is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

- Item No. 6 – County of San Bernardino Tax Increment Loan in the amount of \$22,275,843 is not allowed. Insufficient documentation was provided to support the amount claimed. The Agency provided an Amended and Restated Agreement for the Allocation of Tax Increment dated September 26, 1995 between the former redevelopment agency (RDA), the City of Adelanto (City), the County of San Bernardino, the San Bernardino County Flood Control District, and the County Free Library System. In addition, the Agency provided a loan repayment schedule. However, these

documents were not sufficient to support the amount requested because a total loan amount and loan terms was not provided. To the extent the Agency can provide suitable documentation to support the outstanding obligation as a loan, and the amount of the requested funding, the Agency may be able to obtain RPTTF on a future ROPS.

- Item No. 7 – Intermountain Power Agency Settlement Agreement in the amount of \$1,989,390 is not allowed. Insufficient documentation was provided to support the amount claimed. The Agency provided an agreement between the RDA, City, and Intermountain Power Agency dated April 1993. However, this document was not sufficient to support the requested amount because a total loan amount and loan terms was not provided. To the extent the Agency can provide suitable documentation to support the outstanding obligation as a loan, and the amount of the requested funding, the Agency may be able to obtain RPTTF on a future ROPS.
- Item No. 8 – Note Payable to the City in the amount of \$2,524,243 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on October 2, 2013. However, the oversight board has not approved the loan or made a finding the loan was for legitimate redevelopment purposes. Therefore, this item is not eligible for funding at this time. Once the oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes and the corresponding OB action is approved by Finance, the Agency may be able to request funding for this item on future ROPS.

- Item No. 15 – Adelanto Improvement Project 3 in the amount of \$3,056,314 is not allowed at this time. No documentation was provided to support the amount claimed. To the extent the Agency can provide suitable documentation such as an executed or draft contract, agreement, or vendor invoices to support the requested funding, the Agency may be able to obtain Bond Proceeds funding on future ROPS.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board 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 oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 RPTTF distribution for the reporting period is \$1,576,363 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	2,637,698
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 2,762,698
Total RPTTF requested for non-administrative obligations	2,637,698
<u>Denied Items</u>	
Item No. 1	(916,675)
Item No. 6	(224,226)
Item No. 7	(20,025)
Item No. 8	(25,409)
	(1,186,335)
Total RPTTF authorized for non-administrative obligations	\$ 1,451,363
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,576,363
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,576,363

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies to items where funding was requested for the six-month period. 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Onyx Jones, Interim Finance Director, City of Adelanto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office