DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 14, 2014

Ms. Cynthia A. Fortune, Finance Director
City of Grand Terrace
22795 Barton Road
Grand Terrace, CA 92313

Dear Ms. Fortune:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grand Terrace Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 2, 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. 9 – Professional Services in the amount of $20,000 is not allowed. The professional consultant services agreement between the former redevelopment agency (RDA) and Ace Weed Abatement, Inc., dated April 12, 2011, terminated on June 30, 2014. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 40 – 2011A Tax Allocation Bond Funded Project in the amount of $480,000 is not allowed. Finance continues to deny this item. The Agency requests Bond Proceeds to fund the Michigan Street Improvements Phase 2 Project. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011. In addition, the Agency is requesting the use of 2011 Tax Allocation Bond Funds for this project. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation. Therefore, this line item is not an enforceable obligation and is not eligible for Bond Proceeds funding.

- Item No. 44 – Property Management Implementation Plan in the amount of $25,000 is denied. No documentation was provided to support the amount claimed. To the extent the Agency can provide suitable documentation, such as executed contracts or vendor invoices to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item No. 46 – Remediation Work in the amount of $25,000 is not allowed. Finance continues to deny this item. Finance initially denied these items as it was our understanding that contracts for these line items have not yet been awarded. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. The Agency contends that the Long-Range Property Management plan (LRPMP) submitted includes properties to be sold and in order to prepare the properties for sale, these remediation services are needed. However, because the Agency's LRPMP has not been approved, Finance cannot determine if these proposed costs will be necessary or if they are reasonable. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding at this time.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling $1,507,351.

Therefore, the funding sources for the following items have been reclassified to Reserve Balances in the amounts specified below:

- Item No. 1 – 2011 Tax Allocation Bonds. The Agency requests $409,823 from RPTTF; however, Finance is reclassifying $409,823 to Reserve Balances.

- Item No. 2 – 2011 Tax Allocation Bonds. The Agency requests $184,340 from RPTTF; however, Finance is reclassifying $184,340 to Reserve Balances.

- Item No. 3 – Trustee Fees. The Agency requests $1,000 from RPTTF; however, Finance is reclassifying $1,000 to Reserve Balances.

- Item No. 5 – Repayment of Debt Service. The Agency requests $234,000 from RPTTF; however, Finance is reclassifying $234,000 to Reserve Balances.

- Item No. 10 – Professional Services. The Agency requests $1,250 from RPTTF; however, Finance is reclassifying $1,250 to Reserve Balances.

- Item No. 16 – Professional Services. The Agency requests $12,000 from RPTTF; however, Finance is reclassifying $12,000 to Reserve Balances.

- Item No. 31 – Professional Services. The Agency requests $80,000, from RPTTF; however, Finance is reclassifying $80,000 to Reserve Balances.

- Item No. 32 – Professional Services. The Agency requests $13,000 from RPTTF; however, Finance is reclassifying $13,000 to Reserve Balances.

- Item No. 33 – Professional Services. The Agency requests $9,500 from RPTTF; however, Finance is reclassifying $9,500 to Reserve Balances.

- Item No. 34 – Professional Services. The Agency requests $3,000 from RPTTF; however, Finance is reclassifying $3,000 to Reserve Balances.

- Item No. 36 – Professional Services. The Agency requests $5,000 from RPTTF; however, Finance is reclassifying $5,000 to Reserve Balances.

- Item No. 38 – Professional Services. The Agency requests $2,500 from RPTTF; however, Finance is reclassifying $2,500 to Reserve Balances.

  These items are enforceable obligations for the ROPS 14-15B period. However, the obligations do not require payment from property tax revenues and the Agency has $1,507,351 in available Reserve Balances. Therefore, Finance is approving $955,413 in Reserve Balances for these obligations.

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 review 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.

The amount of RPTTF approved in the table above includes excess prior period adjustment funds in the amount of $78,820. The current approved RPTTF is insufficient to allow for the prior period adjustments of $78,820 during this ROPS period. The Agency should apply the remaining funds prior to requesting RPTTF on future ROPS.

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 zero 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	890,413
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	**$ 1,015,413**
Total RPTTF requested for non-administrative obligations	**890,413**
Denied Items	
Item No. 9	(10,000)
Item No. 44	(25,000)
Item No. 46	(25,000)
	(60,000)
Total RPTTF for non-administrative obligations	**830,413**
Cash Balances - Items reclassified to Reserve Balances	
Item No. 1	(409,823)
Item No. 2	(184,340)
Item No. 3	(1,000)
Item No. 5	(234,000)
Item No.10	(1,250)
	(830,413)
Total RPTTF authorized for non-administrative obligations	**0**
Total RPTTF requested for administrative obligations	**125,000**
Reclassified Items	
Item No. 16	(12,000)
Item No. 31	(80,000)
Item No. 32	(13,000)
Item No. 33	(9,500)
Item No. 34	(3,000)
Item No. 36	(5,000)
Item No. 38	(2,500)
	(125,000)
Total RPTTF authorized for administrative obligations	**$0**
Total RPTTF authorized for obligations	**$0**
ROPS 13-14B prior period adjustment	(78,820)
Excess PPA	78,820
Total RPTTF approved for distribution	**$0**

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: Mr. Kenneth J. Henderson, Interim City Manager, City of Grand Terrace
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office