DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 14, 2014

Ms. Linda Daniels, Assistant City Manager
City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Dear Ms. Daniels:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Cucamonga 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 Nos. 92 and 93 – Various Pass-Through Payments totaling $429,938 are not enforceable obligations. Finance continues to deny these items. The recalculated pass-through payments were based, in part, on the Los Angeles Unified School District v. County of Los Angeles court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 94 – Hellman Avenue Storm Drain in the amount of $7,390,147 is partially denied. Finance was unable to determine if sufficient bond proceeds remain from the 2004 Tax Allocation Bonds to fulfill this obligation based on the self-reported amounts. As such, we have adjusted the amount by $1,491,875 ($7,390,147 - $5,898,272).

- The Agency's claimed administrative costs exceed the allowance by $64,953. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The San Bernardino County Auditor-Controller's Office distributed $627,920, thus leaving a balance of $252,366 available for the January through June 2015 period. Although $317,319 is claimed for administrative cost, only $252,366 is available pursuant to the cap. Therefore, $64,953 of excess administrative cost is not allowed.

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.

Except for the 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 $10,399,712 as summarized in the Approved RPTTF Distribution Table on the following page/below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		10,577,284
Total RPTTF requested for administrative obligations		317,319
Total RPTTF requested for obligations on ROPS	**$**	**10,894,603**
Total RPTTF requested for non-administrative obligations		**10,577,284**
Denied Items		
Item No. 92		(353,754)
Item No. 93		(76,184)
		(429,938)
Total RPTTF authorized for non-administrative obligations	**$**	**10,147,346**
Total RPTTF requested for administrative obligations		**317,319**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(64,953)
Total RPTTF authorized for administrative obligations	**$**	**252,366**
Total RPTTF authorized for obligations	**$**	**10,399,712**
ROPS 13-14B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**10,399,712**

Administrative Cost Cap Calculation		
Total RPTTF for 14-15A (July through December 2014)		19,195,534
Total RPTTF for 14-15B (January through June 2015)		10,147,346
Total RPTTF for fiscal year 2014-2015		**29,342,880**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)		880,286
Administrative allowance for 14-15A (July through December 2014)		627,920
Allowable RPTTF distribution for administrative cost for ROPS 14-15B		**252,366**
Total RPTTF administrative obligations after Finance adjustments		317,319
Administrative costs in excess of the cap	**$**	**(64,953)**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. Although the

Agency provided reconciliation, Finance could not trace the balances on the reconciliation to the Agency's trial balance. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: On the following page

cc: Ms. Tamara Layne, Finance Director, City of Rancho Cucamonga
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office