



November 13, 2014

Mr. John Dutrey, Housing Program Manager
City of Rialto
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 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. 154 – Structure Demolition costs in the amount of \$30,000. Finance continues to deny this item. Costs associated with the demolition and removal of hazardous materials are considered improvements to properties and is beyond the routine maintenance and repairs necessary to preserve the properties in their current condition. Since the Agency's Long-Range Property Management Plan has not been approved, Finance is unable to determine if these proposed costs will be allowable. Therefore, this item is not an enforceable obligation and is not eligible for Other Funding on this ROPS.
- Item No. 169 – Rialto Unified School District Pass-Through Payments totaling \$225,805. Finance continues to deny this item; the documentation provided by the Agency was based on the Los Angeles Unified School District v. County of Los Angeles court ruling. As the Agency was not named a party in this case, the court ruling cannot support the Agency's request. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 175 – Rialto Housing Authority (Authority) Housing Administrative Allowance in the amount of \$150,000 is not allowed. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Rialto (City) is the City-formed Authority, and the Authority operates under the control of the City, the Authority is considered the City

under Dissolution Law pursuant to HSC section 34167.10. Therefore, the housing successor administrative allowance is not eligible for RPTTF funding.

- Item No. 177 – Riverside/I-10 Interchange Improvement Project in the amount of \$868,799 is partially denied. The Agency requests \$868,799; however, the documentation provided by the Agency indicates the amount required by San Bernardino Associated Governments (SANBAG) to fully fund the escrow account for the completion of the project is only \$781,741. To the extent the Agency can provide additional supporting documentation, the Agency may be able to request Bond Proceeds funding on a future ROPS. Therefore, the excess, \$87,058 (\$868,799 - \$781,741) is not eligible for Bond Proceeds funding on this ROPS.

The Agency received a Finding of Completion on May 9, 2013 and is allowed to expend bond proceeds deriving from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenant. The Agency desires to transfer bond proceeds to the City of Rialto (City) as listed Item Nos. 71, 146, 147, 174, and 178 – Various bond funded projects totaling \$11,132,928. Before an actual transfer of Bond Proceeds can take place, a bond expenditure agreement with the City, outlining the transfer of pre-2011 bond proceeds, should be approved by the Oversight Board and Finance.

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 Other Funds in the amount of \$394,166.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 4 – 2005 Series A Tax Allocation Bonds. The Agency requests \$545,464 from RPTTF; however, Finance is reclassifying \$394,166 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$394,166 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$151,298 and the use of Other Funds in the amount of \$394,166, totaling \$545,464.

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 items denied in whole or in part or for the item that has 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 \$8,074,649 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 | 8,673,620 |
| Total RPTTF requested for administrative obligations | 171,000 |
| Total RPTTF requested for obligations on ROPS | \$ 8,844,620 |
| Total RPTTF requested for non-administrative obligations | 8,673,620 |
| <u>Denied Items</u> | |
| Item No. 169 | (225,805) |
| Item No. 175 | (150,000) |
| | (375,805) |
| Total RPTTF for non-administrative obligations | 8,297,815 |
| <u>Cash Balances - Items reclassified to other funding sources</u> | |
| Item No. 4 | (394,166) |
| Total RPTTF authorized for non-administrative obligations | \$ 7,903,649 |
| Total RPTTF requested for administrative obligations | 171,000 |
| Total RPTTF authorized for administrative obligations | \$ 171,000 |
| Total RPTTF authorized for obligations | \$ 8,074,649 |
| ROPS 13-14B prior period adjustment | 0 |
| Total RPTTF approved for distribution | \$ 8,074,649 |

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. Robb Steel, Assistant to the City Administrator/Development Services Director,
City of Rialto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office