DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 7, 2014

Mr. Jeff Zwack, Development Services Director
City of Upland
460 North Euclid Avenue
Upland, CA 91786

Dear Mr. Zwack:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Upland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 29, 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 our review, we are approving all of the items listed on your ROPS 14-15B at this time.

However, during our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (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 possesses $1,119,225 in Reserve Balances as a result of an excess prior period adjustment in the ROPS 14-15A period.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Reserve Balances and in the amounts specified below:

- Item No. 2 – 2006 Tax Allocation Bonds. The Agency requests $298,391 from RPTTF; however, Finance is reclassifying $298,391 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the Agency has $1,119,225 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of $298,391.

- Item No. 5 – Property Maintenance Expenses. The Agency requests $45,000 from RPTTF; however, Finance is reclassifying $45,000 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the Agency has $1,119,225 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of $45,000.

- Item No. 8 – Bond Banking Services. The Agency requests $14,500 from RPTTF; however, Finance is reclassifying $14,500 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the Agency has

$1,119,225 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of $14,500.

- Item No. 15 – 2013 Tax Allocation Bonds. The Agency requests $357,400 from RPTTF; however, Finance is reclassifying $357,400 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the Agency has $1,119,225 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of $357,400.

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 below table includes an excess prior period adjustment in the amount of $297,037. The current approved RPTTF is insufficient to allow for the prior period adjustments of $297,037 during this ROPS period. Pursuant to HSC 34177 (l) (1) (E), successor agencies are required to use all available funding sources prior to RPTTF for the payments of enforceable obligations. As the Agency possesses cash balances that are available to pay enforceable obligations, the Agency should apply the remaining funds prior to requesting RPTTF in future ROPS.

Except for the 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	715,291
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	**$ 840,291**
Total RPTTF requested for non-administrative obligations	**715,291**
Cash Balances - Items reclassified to other funding sources	
Item No. 2	(298,391)
Item No. 5	(45,000)
Item No. 8	(14,500)
Item No. 15	(357,400)
Total RPTTF authorized for non-administrative obligations	**0**
Total RPTTF requested for administrative obligations	**125,000**
Reclassified Items	
Item No. 10	(125,000)
Total RPTTF authorized for administrative obligations	**0**
Total RPTTF authorized for obligations	**0**
ROPS 13-14B prior period adjustment	(297,037)
Excess PPA	297,037
Total RPTTF approved for distribution	**0**

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 the Agency was unable to support the amounts reported. The beginning balances for Reserve Balances, Other Funds, and RPTTF could not be supported by the Agency's financial records. 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 Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Liz Chavez, Housing Manager, City of Upland
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office