DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

May 15, 2015

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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 31, 2015. 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 15-16A) to Finance on February 23, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on March 31, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 14, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting funding from the 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.

  During the initial review, the Agency provided financial records that displayed available Reserve Balances totaling $60,013. However, during the Meet and Confer process, the Agency contended that the $60,013 available consists of $32,296 in Reserve Balances and $27,717 associated with the prior period adjustment. Since the prior period adjustment is accounted for separately, this amount should not be included in the amount available for reclassification. Therefore, with Agency consent, the funding source for the following item has been reclassified to Reserve Balances, and in the amount specified below:

  - Item No. 1 – 2011 Tax Allocation Bonds. The Agency requests $704,832 from RPTTF; however, Finance is reclassifying $32,296 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the

obligation does not require payment from property tax revenues and the Agency has $32,296 in available Reserve Balances. Therefore, Finance is approving $672,536 from RPTTF and $32,296 in Reserve Balances for this obligation.

In addition, per Finance's letter dated March 31, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 50 – Remediation related costs in the amount of $25,000 are not allowed. Finance continues to deny this item. It is our understanding the Agency intends to issue proposals for the removal of slabs and soil stockpiles on Agency owned property. HSC section 34171 (d) (1) (F) allows agencies to maintain assets prior to disposition. However, the remediation work here is beyond the ordinary maintenance work necessary to maintain the property prior to disposition, and is not pursuant to an existing enforceable obligation. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 51 – Supplemental Educational Revenue Augmentation Fund loan repayment in the amount of $448,636 is not allowed. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base. Further, HSC section 34171 (d) (1) (G) requires the Oversight Board (OB) to approve a repayment schedule for the repayment of the amounts borrowed. However, the Agency has not submitted an OB resolution approving the repayment schedule to Finance. Once the OB approves the loan and a loan repayment schedule, and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS. Therefore, this line item is not eligible for Reserve Balances funding at this time.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. 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. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is $1,447,785 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		1,407,798
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**1,532,798**
Total RPTTF requested for non-administrative obligations		**1,407,798**
Denied Items		
Item No. 50		(25,000)
	$	**1,382,798**
Cash Balances - Items reclassified to Other Funds/Reserve Balances		
Item No. 1		(32,296)
Total RPTTF authorized for non-administrative obligations	**$**	**1,350,502**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,475,502**
ROPS 14-15A prior period adjustment		(27,717)
Total RPTTF approved for distribution	**$**	**1,447,785**

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except for Other Funds and Reserve Balances beginning balances and other transactions.

Therefore, as noted above, Finance has reclassified the available cash balances ($32,296) that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Carol Jacobs, Interim City Manager, City of Grand Terrace
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office