DEPARTMENT OF FINANCE

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April 6, 2015

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 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 175 – Housing Successor Administrative Allowance in the amount of $150,000 is not allowed. Finance continues to deny this item. 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 Rialto Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under the Dissolution Law pursuant to HSC section 34167.10. Therefore, the housing successor administrative allowance is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.

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 $454,653.

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

- Item No. 4 – 2005 Series A Tax Allocation Bonds debt service payment in the amount of $745,464. The Agency requests $260,913 from Reserve Balances and $484,551 from RPTTF; however, Finance is reclassifying $454,653 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16B period. However, the obligation does

not require payment from property tax revenues and the Agency has $454,653 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $29,898 and the use of Reserve Balances in the amount of $715,566, totaling $745,464.

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 and Finance's proposed adjustment.

Based on our review of the Agency's Report of Cash Balance, Finance noted the Agency intends to retain the amount of $26,183 for future administrative costs. Pursuant to HSC section 34177 (a) (3), only those payment listed in a ROPS may be made from the funds specified in the ROPS. Because Finance has not approved this retention in a prior ROPS, Finance is hereby adjusting the prior period adjustment reported on the ROPS 15-16A form by $26,183 to accurately reflect only those payments that were authorized by Finance and made by the Agency during the ROPS 14-15A period. Therefore, the Agency should work with the CAC to resolve the PPA issue.

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. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 $3,849,628 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		4,360,317
Total RPTTF requested for administrative obligations		200,000
Total RPTTF requested for obligations on ROPS	**$**	**4,560,317**
Total RPTTF requested for non-administrative obligations		**4,360,317**
Denied Item		
Item No. 175		(150,000)
	$	**4,210,317**
Cash Balances - Item reclassified to Other Funds/Reserve Balances		
Item No. 4		(454,653)
Total RPTTF authorized for non-administrative obligations	**$**	**3,755,664**
Total RPTTF requested for administrative obligations		**200,000**
Total RPTTF authorized for administrative obligations	**$**	**200,000**
Total RPTTF authorized for obligations	**$**	**3,955,664**
ROPS 14-15A prior period adjustment		(79,853)
Finance's proposed adjustment to ROPS 14-15A PPA		(26,183)
Total ROPS 14-15A PPA		**(106,036)**
Total RPTTF approved for distribution	**$**	**3,849,628**

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; however, the accounting records are in arrears which caused inconsistencies between the amounts reported and amounts obtained from the accounting records. Therefore, as noted above, Finance has reclassified the available cash balance of $454,653 that was 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

Absent a Meet and Confer, 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
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