DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 6, 2015

Mr. Jim Morris, City Manager's Assistant
San Bernardino City
300 North D Street, 6th Floor
San Bernardino, CA 94218

Dear Mr. Morris:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the San Bernardino City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 25, 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 Nos. 95, 113 and 114 – Unfunded Prior-Year Pass-Through Obligations totaling $1,294,705 are not allowed. Finance continues to deny these items. During our initial review, the Agency provided demand letters from Rialto Unified School District, San Bernardino City Unified School District, San Bernardino County Superintendent of Schools, and San Bernardino Community College District that requested payments of underfunded pass-throughs for fiscal years 2008-09 through 2010-11 based on a Los Angeles Unified School District court decision. The Agency has requested a reconsideration of the unfunded portion previously denied by Finance. However, Finance denied these items because the Agency was not named as a party to the Los Angeles Unified School District court decision, and further, the Agency 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. 124 – Phase II Soil Remediation Plan in the amount of $241,000 is not allowed. Insufficient documentation was provided to support the amounts claimed. The Agency provided a proposal prepared by WGR Southwest, Inc. to provide environmental, investigative, and remedial testing activities at an Agency-owned property. However, the proposal is dated July 29, 2011. To the extent the Agency can provide suitable documentation, such as a remediation order, an executed contract, or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Claimed administrative costs exceed the allowance by $46,071. HSC section 34171 (b) limits the fiscal year 2015-2016 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. Although $590,142 is claimed for administrative cost, only $544,071 is available pursuant to the cap. Therefore, $46,071 of excess administrative cost is not allowed.

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 items denied in whole or in part, 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 $18,637,128 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		19,671,402
Total RPTTF requested for administrative obligations		590,142
Total RPTTF requested for obligations on ROPS	**$**	**20,261,544**
Total RPTTF requested for non-administrative obligations		**19,671,402**
Denied Items		
Item No. 95		(1,030,851)
Item No. 113		(29,528)
Item No. 114		(234,326)
Item No. 124		(241,000)
		(1,535,705)
Total RPTTF authorized for non-administrative obligations	**$**	**18,135,697**
Total RPTTF requested for administrative obligations		**590,142**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(46,071)
Total RPTTF authorized for administrative obligations	**$**	**544,071**
Total RPTTF authorized for obligations	**$**	**18,679,768**
ROPS 14-15A prior period adjustment		(42,640)
Total RPTTF approved for distribution	**$**	**18,637,128**

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	18,135,697
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	**544,071**
Total RPTTF administrative obligations after Finance adjustments	590,142
Administrative costs in excess of the cap	**$ (46,071)**

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; however, the Agency was unable to support the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

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 Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Lisa Connor, Project Manager, City of San Bernardino
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office