



November 9, 2015

Ms. Kelly Ent, Director of Administrative Services
City of Big Bear Lake
PO Box 10000
Big Bear Lake, CA 92315

Dear Ms. Ent:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Big Bear Lake Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 29, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 2 and 3 – 2005 Revenue Bonds debt service payments. The Agency acknowledges the funding requests for these items were made in error. Therefore, at the Agency's request, Finance has adjusted the amounts requested on the ROPS as follows:
 - Item No. 2: The Agency requested \$468,532, but Finance has adjusted the request to \$96,028 (\$468,532 - \$372,504), approving Redevelopment Property tax Trust Fund (RPTTF) funding in the amount of \$96,028 for this item.
 - Item No. 3: The Agency requested \$63,891, but Finance has adjusted the request to \$13,095 (\$63,891 - \$50,796), approving RPTTF funding in the amount of \$13,095 for this item.
- Item Nos. 13 and 14 – Debt Administration fees have been reclassified from the Administrative Cost Allowance (ACA). The Agency acknowledges the funding source for these items was made in error, and requested the funding source be reclassified. Therefore, at the Agency's request, Finance has reclassified the amounts of \$2,394 and \$265 respectively for Item Nos. 13 and 14 from the ACA to RPTTF.
- The Agency's claimed administrative costs exceed the allowance by \$25,000. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Bernardino County Auditor-Controller's Office distributed \$125,000 from the

ACA for the July through December 2015 period, thus leaving a balance of \$125,000 available for the January through June 2016 period. Although \$152,659 is claimed for the ACA, Item Nos. 13 and 14 for Debt Administration (\$2,659) are not subject to the ACA for the 2015-16 fiscal year and therefore are payable outside the ACA. The adjusted ACA is \$150,000. Therefore, \$25,000 in excess ACA is not allowed.

Further, Finance notes the oversight board has approved an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$285,648 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	607,136
Total RPTTF requested for administrative obligations	152,659
Total RPTTF requested for obligations on ROPS 15-16B	\$ 759,795
RPTTF adjustment to non-administrative obligations	(423,300)
Total RPTTF adjustments	\$ (423,300)
Total RPTTF requested for non-administrative obligations	183,836
<u>Reclassified Items</u>	
Item No. 13	2,394
Item No. 14	265
	2,659
Total RPTTF authorized for non-administrative obligations	\$ 186,495
Total RPTTF requested for administrative obligations	152,659
<u>Reclassified Item</u>	
Item No. 13	(2,394)
Item No. 14	(265)
	(2,659)
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(25,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 311,495
ROPS 14-15B prior period adjustment	(25,847)
Total RPTTF approved for distribution	\$ 285,648

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	763,789
Total RPTTF for 15-16B (January through June 2016)	186,495
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2015-2016	950,284
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(125,000)
Remaining administrative cost cap for ROPS 15-16B	125,000
ROPS 15-16B administrative obligations after Finance adjustments	(150,000)
Administrative costs in excess of the cap	\$ (25,000)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (j). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Erica Stephenson, Finance Supervisor, City of Big Bear Lake
Ms. Linda Santillano, Property Tax Manager, San Bernardino County