DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 16, 2015

Mr. Chuck Dantuono, Director of Administrative Services
City of Highland
27215 Base Line Street
Highland, CA 92346

Dear Mr. Dantuono:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Highland 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 October 5, 2015. Finance has completed its review of the ROPS 15-16B.

Based on our review, Finance is approving all of the items listed on the ROPS 15-16B at this time.

Although administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2), Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in 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 apply adequate oversight 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 Redevelopment Property Tax Trust Funds (RPTTF) approved in the table below only reflects the Agency's self-reported prior period adjustment.

Finance noted the Agency's expenditures exceeded Finance's authorization on the Agency's ROPS 14-15B prior period adjustment worksheet for the following items:

Summary of Prior Period Authorization of Bond Proceeds

Item No.	Project Name/Debt Obligation	Authorized	Actual
53	2007 Bonds-Base Line Safety Improvements	1,000	9,893
93	2004-Project SWK 13-001	6,000	14,231
99	2007-Project BRG04-005	236,000	530,050
103	2004-Project STR 11-006	16,000	29,728
104	2004-Project STR 07-002	60,000	213,714
106	2004-Project STR 07-002	159,000	1,223,989
111	2004-Project SWK 13-002	5,000	124,845
113	2004-Project SWK 12-001	1,000	21,124
121	2004A Bonds	10,000	22,338
128	2004A Bonds	600,000	743,563
144	2004A Bonds	10,000	31,310
	Total	**$ 1,104,000.00**	**$ 2,964,785.00**

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

The Agency's maximum approved RPTTF distribution for the reporting period is $1,269,893 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		1,175,843
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**1,300,843**
RPTTF adjustment to non-administrative obligations		1,175,843
RPTTF adjustment to administrative obligations		125,000
Total RPTTF adjustments	**$**	**1,300,843**
Total RPTTF authorized for non-administrative obligations		1,175,843
Total RPTTF authorized for administrative obligations		125,000
Total RPTTF authorized for obligations	**$**	**1,300,843**
ROPS 14-15B prior period adjustment		(30,950)
Total RPTTF approved for distribution	**$**	**1,269,893**

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 (i). 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. Janel Navarrete, Accounting Technician, City of Highland
Ms. Linda Santillano, Property Tax Manager, San Bernardino County