



November 5, 2015

Ms. Tina Kundig, Director of Finance
City of Redlands
P.O. Box 3005
Redlands, CA 92373

Dear Ms. Kundig:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Redlands 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 22, 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 No. 12 – Auditing Services in the amount of \$2,534 requested for ROPS 15-16B and the total outstanding balance of \$32,942 is not allowed. The Professional Auditing Services Agreement provided to support this item terminated June 30, 2015. Further, during ROPS 15-16A, the Agency requested, and received, the annual amount required to fund this obligation. Therefore, this item is not eligible for \$2,534 from the Redevelopment Property Tax Trust Fund (RPTTF) fund on this ROPS.
- Item Nos. 22 and 23 – Employee Administrative Costs for Property Maintenance and Disposition totaling \$13,493 are not allowed. Although the Agency's Long-Range Property Management Plan included ten properties, only two properties are approved for sale, the remaining properties transferred to the City of Redlands (City) for governmental purposes or future development.

The Agency's responsibility for maintenance is limited to these sale properties. During our review, the Agency was unable to provide sufficient documentation to support the amounts claimed for maintenance. To the extent the Agency can provide support for the nature and time specifically allocated towards for these properties, such as a reimbursement agreement, employee timesheets, or duty statements to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS for these line items.

- Item No. 39 – Housing Entity Administrative Cost in the amount of \$300,000 requested for ROPS 15-16B and the total outstanding balance of \$600,000 is not allowed. Finance

continues to deny this item. It is our understanding the Agency is requesting funding for this item in anticipation that an oversight-board approved Housing Asset Transfer (HAT) form will be submitted to Finance for review and approval during the ROPS 15-16B period.

As noted in our determination letter dated May 15, 2015, the Agency and the housing successor have not submitted a HAT or any Oversight Board actions for Finance's review. To the extent the Agency can provide documentation to support the transfer of housing assets, such as an OB approved HAT form to Finance, for review and approval, the Agency may be able to obtain RPTTF funding on future ROPS for housing administration costs payable to the housing successor. Therefore, this item is not an enforceable obligation and is not eligible for \$300,000 from the RPTTF.

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.

In addition, based on our review of the Agency's ROPS 14-15B prior period adjustment worksheet, Finance noted the Agency's expenditures exceeded Finance's authorization for the following items:

- Item Nos. 3 and 5 – Bond Proceeds totaling \$67,800 – Item No. 3, \$66,269; Item No. 5, \$1,531

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 before making payments on enforceable obligations.

Except for the items 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 \$3,545,143 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	3,747,699
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 3,872,699
Total RPTTF requested for non-administrative obligations	3,747,699
<u>Denied Items</u>	
Item No. 12	(2,534)
Item No. 22	(8,493)
Item No. 23	(5,000)
Item No. 39	(300,000)
	(316,027)
Total RPTTF authorized for non-administrative obligations	\$ 3,431,672
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,556,672
ROPS 14-15B prior period adjustment	(11,529)
Total RPTTF approved for distribution	\$ 3,545,143

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.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Mike Nelson, Economic Development Manager, City of Redlands
Ms. Linda Santillano, Property Tax Manager, San Bernardino County