



November 13, 2015

Mr. John Dutrey, Project Manager, Development Services Department
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) (1) (A), the City of Rialto 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 No. 7 – 2008 Tax Allocation Bonds, Series A debt service payment in the amount of \$1,094,041. At the Agency's request, Finance has applied Other Funds in the amount of \$393,124 to this line item, and reduced the amount of Redevelopment Property Tax Trust Fund (RPTTF) funding by the same amount. As a result, this item is eligible for RPTTF in the amount of \$700,917, and Other Funds in the amount of \$393,124, totaling \$1,094,041 (\$700,917 + \$393,124).
- Item No. 8 – 2008 Tax Allocation Bonds, Series B debt service payment in the amount of \$972,563. Finance has applied Other Funds in the amount of \$146,000 for this item. The Agency has available Other Funds initially requested for the following items:
 - Item No. 37: \$44,433
 - Item No. 50: \$66,567
 - Item No. 189: \$15,000
 - Item No. 190: \$10,000
 - Item No. 191: \$10,000

\$146,000

These items are further discussed below. Therefore, Finance is approving RPTTF in the amount of \$826,563 and Other Funds in the amount of \$146,000, totaling \$972,563 (\$826,563 + \$146,000) for this item.

- Item No. 37 – Agency Administrative Costs in the amount of \$44,433 have been reclassified from Other Funds to the RPTTF Administrative Cost Allowance (ACA). It is our understanding this item represents administrative support services. Pursuant to

HSC section 34171 (b) (2), the ACA shall be up to three percent of the property tax allocated to the Redevelopment Obligation Retirement Fund for each fiscal year, or \$250,000. Therefore, this item is considered a general administrative cost that counts toward the cap.

- Item No. 50 – Project Management Costs in the amount of \$66,567. It is our understanding this item relates to projects approved for funding with Bond Proceeds. Therefore, Finance reclassifies funding for this item from Other Funds to Bond Proceeds.
- Item No. 175 – Rialto Hosing Authority Administrative Cost 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 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 allowed.
- Item No. 177 – Riverside/I-10 Interchange Project Costs in the amount of \$660,000. At the Agency's request, Finance has reduced the amount by \$106,974, to \$553,026. Therefore, Finance approves Bond Proceeds in the amount of \$553,026 (\$660,000 - \$106,974) for this item.
- Item No. 189 – Legal Services Payment/Operation Costs in the amount of \$15,000 has been reclassified. It is our understanding the Agency intends to renew a Legal Services Agreement with Stradling, Yocca, Carlson and Rauth for general legal services. However, general legal services are payable from the Agency's ACA. Therefore, Finance reclassifies this item from Other Funds to the Agency's ACA.
- Item Nos. 190 and 191 – Asset Holding Costs and Audits totaling \$20,000 are not allowed. The Agency was unable to provide adequate documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as an executed contract, vendor invoices, or proposals, to support the requested funding, the Agency may be able to obtain Other Funds on subsequent ROPS.
- Claimed administrative costs exceed the allowance by \$48,639. As noted above, HSC section 34171 (b) limits fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$362,711 in administrative expenses. The San Bernardino County Auditor-Controller's Office (CAC) distributed \$173,817 for the ACA for the July through December 2015 period, leaving a balance of \$177,100 available for the January through June 2016 period. Although \$166,306 is claimed for the ACA, Item Nos. 37 and 189, totaling \$59,433 from Other Funds, are considered administrative expenses payable from the ACA; and should be counted toward the cap. Therefore, \$48,639 excess ACA is not allowed.

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 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 items denied in whole or in part or for the items that have been reclassified, 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 \$7,614,341 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	8,149,868
Total RPTTF requested for administrative obligations	166,306
Total RPTTF requested for obligations on ROPS 15-16B	\$ 8,316,174
Total RPTTF requested for non-administrative obligations	8,149,868
<u>Denied Item</u>	
Item No. 175	(150,000)
<u>Reclassified Items</u>	
Item No. 7	(393,127)
Item No. 8	(146,000)
	(539,127)
Total RPTTF authorized for non-administrative obligations	\$ 7,460,741
Total RPTTF requested for administrative obligations	166,306
<u>Reclassified Items</u>	
Item No. 37	44,433
Item No. 189	15,000
	59,433
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(48,639)
Total RPTTF authorized for administrative obligations	\$ 177,100
Total RPTTF authorized for obligations	\$ 7,637,841
ROPS 14-15B prior period adjustment	(23,500)
Total RPTTF approved for distribution	\$ 7,614,341

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	4,236,500
Total RPTTF for 15-16B (January through June 2016)	7,460,741
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2015-2016	11,697,241
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	350,917
Administrative allowance for ROPS 15-16A (July through December 2015)	(173,817)
Remaining administrative cost cap for ROPS 15-16B	177,100
ROPS 15-16B administrative obligations after Finance adjustments	225,739
Administrative costs in excess of the cap	\$ 48,639

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. Robb Steel, Assistant to the City Administrator/Development Services Director, City of Rialto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County