



November 6, 2015

Ms. Dena Fuentes, Director of Community Development and Housing
San Bernardino County
385 North Arrowhead Avenue
San Bernardino, CA 92415-0043

Dear Ms. Fuentes:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the San Bernardino County 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 25, 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. 10 and 19 – Various Professional Services totaling \$167,500 are not eligible for payment from the Redevelopment Property Tax Trust Fund (RPTTF). The agreements between the Agency and Stradling, Yocca, Carlson & Rauth, Jones Hall, PC, and CSG Advisors, Inc., pertain to the Agency's proposed bond refunding, and are to be paid at the closing of the proposed bond refunding. Pursuant to HSC 34177.5 (a) 1, related costs of issuance are to be paid from Bond Proceeds. Further, the Jones Hall, PC agreement specifically identifies Bond Proceeds as the funding source. Therefore, Finance has reclassified these items from RPTTF to Bond Proceeds.
- Item No. 11 – Litigation Professional Services in the amount of \$50,000 have been reclassified to the Agency's Administrative Cost Allowance (ACA). Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution laws shall only be payable out of the ACA. The item relates to litigation between Finance and the Agency pertaining to the San Sevaire and Cedar Glen Project Areas. Therefore, this item is considered a general administrative cost payable from the Agency's ACA.
- Item No. 16 – Direct Salaries and Benefits costs in the amount of \$66,500. Finance continues to reclassify this item to the ACA. There were inconsistencies in the duties specified in the duty statements as compared with the time spent coded by program funding in the information provided to support the requested amount. To the extent the Agency can provide suitable documentation, such as executed contracts, vendor invoices, or project

management reports, to support the nature of the obligation, the Agency may be able to obtain RPTTF funding on future ROPS.

- Item No. 20 – County Counsel Legal Services in the amount of \$5,000 have been reclassified to the ACA. Although enforceable, the types of services requested are considered general administrative costs and have been reclassified to the ACA. To the extent the Agency can provide suitable documentation, such as evidence of a court proceeding against the Agency by a third party, the Agency may be able to obtain RPTTF funding on future ROPS.
- The Agency's claimed ACA exceeds the allowance by \$130,132. HSC section 34171 (b) (2) limits fiscal year administrative expenses to three percent of distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater. As a result, the Agency is eligible for \$290,656 in administrative expenses. The San Bernardino County Auditor-Controller distributed \$220,730 administrative costs for the July through December ROPS 15-16A period, leaving a balance of \$69,926 available for the January through June ROPS 15-16B period. Although \$78,558 is requested for the ACA, Item Nos. 11, 16, and 20, as described above, are considered administrative expenses and should be counted towards the cap. Therefore, \$130,132 of 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 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 Fund (RPTTF) approved in the table below includes the prior period adjustment resulting from Finance's review of the Agency's self-reported prior period adjustment (PPA).

Finance has made adjustments to the PPA form to correct Agency reported available amounts from RPTTF to agree with Finance's authorized amounts and the CAC's total distribution for the ROPS 14-15B period. Finance corrected the Agency's reported total Available Non-Admin RPTTF amounts pertaining to Item Nos. 9, 10, 19, 21, 23, and 26 to reflect the amounts authorized and available resulting in an increase to the Agency's reported total Available Non-Admin RPTTF of \$3,327,853 to \$3,358,853.

As a result of our review, and with the Agency's consent, Finance is hereby adjusting the PPA reported on ROPS 15-16B form by \$31,000 to accurately reflect total available RPTTF funding during the ROPS 14-15B period. The total PPA, as calculated by Finance, is \$48,217.

Except 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 \$4,679,152 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	4,946,443
Total RPTTF requested for administrative obligations	78,558
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,025,001
Total RPTTF requested for non-administrative obligations	4,946,443
<u>Reclassified Items</u>	
Item No. 10	(125,000)
Item No. 11	(50,000)
Item No. 16	(66,500)
Item No. 19	(42,500)
Item No. 20	(5,000)
	(289,000)
Total RPTTF authorized for non-administrative obligations	\$ 4,657,443
Total RPTTF requested for administrative obligations	78,558
<u>Reclassified Items</u>	
Item No. 11	50,000
Item No. 16	66,500
Item No. 20	5,000
	121,500
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(130,132)
Total RPTTF authorized for administrative obligations	\$ 69,926
Total RPTTF authorized for obligations	\$ 4,727,369
Self-reported ROPS 14-15B prior period adjustment (PPA)	(17,217)
Finance adjustment to ROPS 14-15B PPA	(31,000)
Total ROPS 14-15B PPA	(48,217)
Total RPTTF approved for distribution	\$ 4,679,152
Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	5,031,103
Total RPTTF for 15-16B (January through June 2016)	4,657,443
Total RPTTF for fiscal year 2015-2016	9,688,546
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	290,656
Administrative allowance for ROPS 15-16A (July through December 2015)	(220,730)
Remaining administrative cost cap for ROPS 15-16B	69,926
ROPS 15-16B administrative obligations after Finance adjustments	(200,058)
Administrative costs in excess of the cap	\$ (130,132)

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Gary Hallen, Deputy Director of Community Development and Housing,
San Bernardino County
Ms. Linda Santillano, Property Tax Manager, San Bernardino County