DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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March 16, 2016

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

Dear Ms. Kundig:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Redlands Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 25, 2016. Finance has completed its review of the ROPS 16-17.

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

> Item No. 39 – Housing Entity (Housing Successor) Administrative Cost Allowance in the total outstanding amount of $600,000 is partially approved. HSC section 34171 (p) limits the fiscal year 2016-17 housing successor administrative allowance to one percent of property tax authorized to the Agency, but not less than $150,000 per fiscal year.
>
> It is our understanding the amount requested on the ROPS includes $300,000 for fiscal years 2014-15 and 2015-16, at $150,000 each. However, the Agency did not submit a Housing Asset Transfer form to Finance for review and approval prior to the 2016-17 fiscal year. Further, there is no evidence to show the housing functions of the former Redlands Redevelopment Agency were lawfully performed by the Housing Successor (Housing Authority of the County of San Bernardino). On January 28, 2016, the Housing Successor submitted OB Resolution No. 2012-008 approving transfer of the housing assets. Therefore, $150,000 for fiscal year 2016-17 for the Housing Entity Administrative Cost Allowance is approved; however, the excess amount, $300,000 ($137,416 Reserve Balances + $162,584 Redevelopment Property Tax Trust Fund (RPTTF)) is not eligible for funding.

Except for the item denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $3,999,770 as summarized in the Approved RPTTF Distribution table on page 3 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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,

for

JUSTYN HOWARD
Program Budget Manager

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

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 237,584	$ 3,674,770	$ 3,912,354
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	362,584	3,799,770	**$ 4,162,354**
Total RPTTF requested	237,584	3,674,770	**3,912,354**
Denied Item			
Item No. 39	(87,584)	(75,000)	(162,584)
Total RPTTF authorized	150,000	3,599,770	**$ 3,749,770**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Total Administrative RPTTF after Finance adjustments	125,000	125,000	250,000
Total Administrative RPTTF authorized	125,000	125,000	**$ 250,000**
Total RPTTF approved for distribution	275,000	3,724,770	**$ 3,999,770**