DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 15, 2016

Mr. Bill Manis, Deputy City Manager
San Bernardino City
300 North D Street, 6th Floor
San Bernardino, CA 94218

Dear Mr. Manis:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino City 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 February 1, 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 determinations:

- Item No. 19 – Hillwood Properties Development and Disposition Agreement (DDA) has been reclassified from Redevelopment Property Tax Trust Funds (RPTTF) to Other Funds. This item is an enforceable obligation and the Agency requested $685,684 from RPTTF. However, Finance is reclassifying $111,000 from RPTTF to Other Funds. Finance determined the Agency has $111,000 in Other Funds as further discussed under Item No. 38. Therefore, Finance is approving $111,000 from Other Funds and RPTTF in the amount of $574,684, totaling $685,684.

- Item Nos. 38, 116, 123, 129, and 130 – Various Property Maintenance and Disposition costs with outstanding obligation amounts totaling $3,993,308 are partially allowed.

  Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on December 31, 2015. Some of the properties included in the request for funding were designated and approved for either future development or government use, and as such, are now the responsibility of the City of San Bernardino (City), as further detailed below:

  - Item No. 38 – Real Property Maintenance in the amount of $1,432,000 is partially allowed. A portion of this item relates to LRPMP, Property Nos. 20 and 21 approved to be transferred to the City as future development. Therefore, according to the documentation provided, of the $1,432,000 requested ($530,000 from Other Funds + $902,000 from RPTTF), Finance approves $308,000 from Other Funds for Agency-owned properties, and the difference, $1,124,000 ($1,432,000 - $308,000) is not eligible for Other Funds in the amount of $222,000, and is not eligible for RPTTF in the amount of $902,000.

In addition, to the extent the Agency has $222,000 in available Other Funds, the Agency should use those funds to pay other enforceable obligations approved on the ROPS pursuant to HSC section 34177 (l) (1) (E). Therefore, Finance reclassified the funding source from RPTTF to Other Funds in the amount of $111,000 for Item No. 19 for the ROPS 16-17A period and the remaining $111,000 for Item No. 130, for the ROPS 16-17B period.

- Item No. 116 – Real Property Security Services in the amount of $209,308 is partially allowed. A portion of this item relates to LRPMP, Property Nos. 20 and 21 approved for transfer to the City as future development. Therefore, $149,318 is not eligible for RPTTF funding.

- Item No. 123 – Real Property Security Services in the total outstanding obligation amount of $114,000 is not allowed. This item relates to LRPMP, Property No. 21 approved for transfer to the City as future development. Therefore, this item is no longer an enforceable obligation and the requested amount of $114,000 is no longer eligible for RPTTF funding.

- Item No. 129 – Solar Power Purchase Agreement in the total outstanding obligation amount of $520,000 is not allowed. This obligation relates to the solar power used by the property located at 201 N. "E" Street which relates to Property No. 2 - City Administration Campus, approved for transfer to the City as governmental use. Therefore, this item is no longer an enforceable obligation and the requested amount of $40,000 is no longer eligible for RPTTF funding.

- Item No. 130 – LRPMP Disposition Costs in the amount of $250,000 are partially allowed. A portion of this item relates to LRPMP, Property Nos. 20 through 26 approved for transfer to the City as future development. Therefore, $147,815 is approved for Agency-owned properties, and the difference, $102,185 ($250,000 - $147,815) is not eligible for RPTTF funding.

  In addition, the amount of $111,000 is reclassified from RPTTF to Other Funds. Finance determined the Agency has $111,000 in Other Funds as explained under Item No. 38. Therefore, Finance is approving $111,000 from Other Funds for the ROPS 16-17B period for this obligation and $36,815 ($147,815 - $111,000) in RPTTF for the ROPS 16-17 period, totaling $147,815.

- Item No. 84 – Securities Servicing Fees in the amount of $130,000 are partially allowed. The Agency provided an updated schedule to support the fees applicable for fiscal year 2016-17, which total $26,352. Therefore, this item is partially allowed in the amount of $26,352, and the remaining amount, $103,648 ($130,000 - $26,352) is not eligible for RPTTF funding.

- Item Nos. 95, 113, and 114 – Unfunded Prior-Year Pass-Through Obligations, outstanding obligation amounts totaling $1,294,705, are not allowed. Finance continues to deny these items. During our initial review, the Agency provided demand letters from Rialto Unified School District, San Bernardino City Unified School District, San Bernardino County Superintendent of Schools, and San Bernardino Community College District that requested payments of underfunded pass-throughs for fiscal years 2008-09 through 2010-11 based on a Los Angeles Unified School District court decision. The

Agency has requested a reconsideration at the request of the affected school districts on their continued assertion that these unfunded amounts previously denied by Finance are enforceable obligations pursuant to HSC section 34171 (d) (1) (C).

However, Finance denied these items because the Agency was not named as a party to the Los Angeles Unified School District court decision, and further, the Agency has not shown that the requested payments are binding by providing any new supporting documentation. Although we received additional documentation recently, it is not inclusive, and therefore there is not adequate documentation to support the requested amount. To the extent the Agency can provide suitable documentation, the Agency may be eligible for funding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding of $1,294,705 ($1,030,854 + $234,326 + $29,528).

- Item No. 120 – Continuing Disclosure Services in the amount of $13,500 is partially allowed. Subsequent to submitting this ROPS. the Agency provided an updated estimate supporting the fees applicable for fiscal year 2016-17. Therefore, this item is partially allowed in the amount of $9,000. The Agency's remaining request in the amount of $4,500 ($13,500 - $9,000) is not eligible for RPTTF funding.

- Item No. 125 – 2016 Refunding Bonds, debt service interest payment in the amount of $2,297,206 has been adjusted. Based on discussions with Agency staff and a review of documentation provided, the $2,297,206 requested for the annual period should be $1,849,868. As a result, and at the Agency's request, the total ROPS 16-17 RPTTF funding requested for this item has been decreased by $447,338.

- Item No. 126 – 2016 Refunding Bonds, debt service principal payment in the amount of $995,000 has been adjusted. Based on discussions with Agency staff and a review of documentation provided, the $995,000 requested for the annual period should be $980,000. As a result, the total ROPS 16-17 RPTTF funding requested for this item has been decreased by $15,000.

Except for the items denied in whole or in part or the items that have been adjusted, 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 $15,183,151 as summarized in the Approved RPTTF Distribution Table on Page 5 (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:

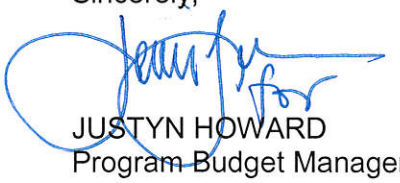
http://www.dof.ca.gov/redevelopment/ROPS

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Lisa Connor, Project Manager, City of San Bernardino
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

## Attachment

| Approved RPTTF Distribution<br>For the period of July 2016 through June 2017 | ROPS A Period | ROPS B Period | Total |
|---|---|---|---|
| Requested RPTTF (excluding administrative obligations) | $ 12,966,323 | $ 5,070,419 | $ 18,036,742 |
| Requested Administrative RPTTF | 388,990 | 152,113 | $ 541,103 |
| **Total RPTTF requested for obligations on ROPS 16-17** | $ 13,355,313 | $ 5,222,532 | **$ 18,577,845** |
| Adjustment to Agency requested RPTTF | | | |
| Item No. 125 | (366,596) | (80,742) | (447,338) |
| Item No. 126 | (15,000) | 0 | (15,000) |
| **Total RPTTF adjustments** | (381,596) | (80,742) | (462,338) |
| **Total RPTTF requested** | 12,584,727 | 4,989,677 | **17,574,404** |
| Denied Items | | | |
| Item No. 38 | (451,000) | (451,000) | (902,000) |
| Item No. 84 | (53,499) | (50,149) | (103,648) |
| Item No. 95 | (1,030,851) | 0 | (1,030,851) |
| Item No. 113 | (234,326) | 0 | (234,326) |
| Item No. 114 | (29,528) | 0 | (29,528) |
| Item No. 116 | (74,659) | (74,659) | (149,318) |
| Item No. 120 | | (4,500) | (4,500) |
| Item No. 123 | (57,000) | (57,000) | (114,000) |
| Item No. 129 | (20,000) | (20,000) | (40,000) |
| Item No. 130 | (102,185) | 0 | (102,185) |
| | (2,053,048) | (657,308) | (2,710,356) |
| Reclassified Items | | | |
| Item No. 19 | (111,000) | 0 | (111,000) |
| Item No. 130 | 0 | (111,000) | (111,000) |
| | (111,000) | (111,000) | (222,000) |
| **Total RPTTF authorized** | 10,420,679 | 4,221,369 | **$ 14,642,048** |
| **Total Administrative RPTTF authorized** | 388,990 | 152,113 | **$ 541,103** |
| **Total RPTTF approved for distribution** | 10,809,669 | 4,373,482 | **$ 15,183,151** |