



April 14, 2016

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: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino County 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 29, 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:

- Items Nos. 1 through 6, 54, and 55 – Various bond payments. It is our understanding the Agency requested the incorrect amount for these items during the July 1, 2016 through December 31, 2016 period (ROPS A period) and January 1, 2017 through June 30, 2017 period (ROPS B period). Per discussion with Agency staff and review of the debt service schedules, see Attachment B on Page 6 for the adjustment summary.
- Item Nos. 20 and 23 – County Counsel and Financial – Professional Services KMA. Although enforceable, the types of services requested totaling \$14,000 (\$10,000 + \$4,000) are considered general administrative costs and have been reclassified.
- Item No. 21 – Audit Consulting Services in the amount of \$10,000 is not allowed. No documentation was provided to support the amounts claimed. To the extent the Agency can provide documentation, such as an executed contract and invoices to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) on future ROPS.
- Item No. 25 – Maintenance of properties in the total outstanding amount of \$60,000 is partially allowed. Although \$60,000 was requested, only \$2,000 in property maintenance costs are related to property owned by the Agency. Therefore, the excess \$58,000 (\$60,000 - \$2,000) is not eligible for RPTTF funding.

- The Agency's claimed administrative costs exceed the allowance by \$73,710. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year, or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is \$250,000 for the fiscal year 2016-17. Although \$323,710 is claimed for administrative cost, only \$250,000 is available pursuant to the cap. Therefore, \$73,710 of excess administrative costs is not allowed.

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 \$6,810,926 as summarized in the Approved RPTTF Distribution Table on Page 4-5 (See Attachment A).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the 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>

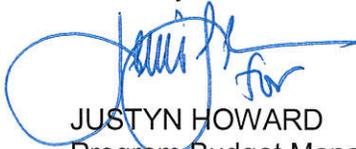
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for 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,



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

Attachment A

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 4,885,726	\$ 4,916,990	\$ 9,802,716
Requested Administrative RPTTF	151,617	158,093	309,710
Total RPTTF requested for obligations on ROPS 16-17	5,037,343	5,075,083	\$ 10,112,426
Adjustment to Agency Requested RPTTF			
<u>Adjusted Items</u>			
Item No. 3	53,497	0	53,497
Item No. 5	0	117,500	117,500
Item No. 54	2,084,107	872,263	2,956,370
Item No. 55	1,525,000	2,379,143	3,904,143
	<u>3,662,604</u>	<u>3,368,906</u>	<u>7,031,510</u>
Total RPTTF adjustments	3,662,604	3,368,906	7,031,510
Total RPTTF requested	8,548,330	8,285,896	16,834,226
<u>Denied Items</u>			
Item No. 1	(2,064,229)	(872,263)	(2,936,492)
Item No. 2	(81,190)	0	(81,190)
Item No. 4	(1,525,000)	(2,379,143)	(3,904,143)
Item No. 21	(5,000)	(5,000)	(10,000)
Item No. 25	(29,000)	(29,000)	(58,000)
Item No. 54	0	(30,332)	(30,332)
Item No. 55	(1,525,000)	(1,604,143)	(3,129,143)
	<u>(5,229,419)</u>	<u>(4,919,881)</u>	<u>(10,149,300)</u>
<u>Reclassified Items</u>			
Item No. 2	(110,000)	0	(110,000)
Item No. 20	(5,000)	(5,000)	(10,000)
Item No. 23	(2,000)	(2,000)	(4,000)
	<u>(117,000)</u>	<u>(7,000)</u>	<u>(124,000)</u>
Total RPTTF authorized	3,201,911	3,359,015	\$ 6,560,926
Total Administrative RPTTF requested	151,617	158,093	309,710
<u>Reclassified Items</u>			
Item No. 20	5,000	5,000	10,000
Item No. 23	2,000	2,000	4,000
	<u>7,000</u>	<u>7,000</u>	<u>14,000</u>
Total Administrative RPTTF after Finance adjustments	158,617	165,093	323,710
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(73,710)	(73,710)
Total Administrative RPTTF authorized	158,617	91,383	\$ 250,000
Total RPTTF approved for distribution	3,360,528	3,450,398	\$ 6,810,926

Attachment A (Continued)

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 9,930,958
Less sponsoring entity loan and Administrative RPTTF	3,418,409
Actual RPTTF distributed for 2015-16 after adjustment	6,512,549
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	323,710
Administrative Cost Allowance in excess of the cap	\$ (73,710)

Attachment B
Bond Payment Adjustment Summary

16-17A											
Item No.	Other Funds Requested	Original RPTTF Requested	RPTTF Reclassified by Finance	RPTTF Adjusted by Finance	RPTTF Denied by Finance	RPTTF Total	Original Reserve Balances Requested	Reserve Balances Adjusted by Finance	Reserve Balances Denied by Finance	Reserve Balances Total	Item Total Payment
1	0	2,064,229	0	0	(2,064,229)	0	0	0	0	0	\$0
2	1,325,918	220,000	(110,000)	0	(81,190)	28,810	0	110,000	0	110,000	\$1,464,728
3	0	223,497	0	53,497	0	276,994	0	85,000	0	85,000	\$361,994
4	0	1,525,000	0	0	(1,525,000)	0	0	0	0	0	\$0
5	0	0	0	0	0	0	0	0	0	0	\$0
6	0	0	0	0	0	0	85,000	0	(85,000)	0	\$0
54	0	0	0	2,084,107	0	2,084,107	0	0	0	0	\$2,084,107
55	0	0	0	1,525,000	(1,525,000)	0	0	0	0	0	\$0
Totals				\$3,662,604				\$195,000			

16-17B											
Item No.	Other Funds Requested	Original RPTTF Requested	RPTTF Reclassified by Finance	RPTTF Adjusted by Finance	RPTTF Denied by Finance	RPTTF Total	Original Reserve Balances Requested	Reserve Balances Adjusted by Finance	Reserve Balances Adjusted by Denied	Reserve Balances Total	Item Total Payment
1	0	872,263	0	0	(872,263)	0	0	0	0	0	\$0
2	0	1,236,880	0	0	0	1,236,880	0	0	0	0	\$1,236,880
3	0	135,204	0	0	0	135,204	0	0	0	0	\$135,204
4	0	2,379,143	0	0	(2,379,143)	0	1,525,000	0	(1,525,000)	0	\$0
5	0	0	0	117,500	0	117,500	0	0	0	0	\$117,500
6	0	87,500	0	0	0	87,500	0	0	0	0	\$87,500
54	0	0	0	872,263	(30,332)	841,931	0	0	0	0	\$841,931
55	0	0	0	2,379,143	(1,604,143)	775,000	1,525,000	0	(1,525,000)	0	\$775,000
Totals				\$3,368,906				\$0			