DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

Mr. John Dutrey, Housing Program Manager
City of Rialto
150 South Palm Avenue
Rialto, CA 92376

Dear Mr. Dutrey:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Rialto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 11, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 25, 2016.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 39 – Bond Servicing fees in the total outstanding obligation amount of $44,000. Finance continues to partially approve this item. Finance initially denied this item because the Agency had only provided the Agency with invoices to support the amount of $11,759. During the Meet and Confer process, bond fees and arbitrage estimates for the entire fiscal year 2016-17 were provided. Based on the estimates, the Agency now revises the total requested amount from $44,000 to $27,000. Therefore, Finance continues to deny $17,000 ($44,000 - $27,000) of this item and approves $27,000 from Other Funds.

- Item No. 192 – Cactus Channel Infrastructure Project in the total outstanding obligation amount of $5,000,000. Finance continues to deny this item. During the Meet and Confer process, the Agency submitted documents to demonstrate this item as an enforceable obligation. Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board finds the loan was for legitimate redevelopment purposes.

  The Agency received a Finding of Completion on May 9, 2013. OB Resolution No. OB 16-03, approving a revised payment schedule for an existing Cooperation Agreement (Agreement) between the City and the former RDA in the amount of $5,000,000

as an enforceable obligation, was denied in our letter dated March 18, 2016 because the Agency was unable to provide sufficient documentation to support the City contracted with a third party, or made payment to a third party, on behalf of the former RDA. As such, this item does not meet the definition of a loan as specified in HSC section 34191.4 (b) (2). Therefore, the requested amount of $500,000 is not an enforceable obligation and is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 11, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 23 – Pusan Pipe Agreement in the total outstanding obligation amount of $100,000 is not allowed. Pursuant to Section 408 of the Owner Participation Agreement (OPA) between the former Redevelopment Agency (RDA), the City of Rialto (City) and Pusan Pipe America, Inc. (Developer), dated August 11, 2009, the Agency Assistance payment for the Developer shall be made only until the sooner of: (1) the amount of $137,500 plus five percent interest is reimbursed in full; or (2) a Closure during the Operating Period which is not excused. Although the Agency Assistance payment was intended to continue until fiscal year 2019-20, our review shows the maximum amount payable to the Developer under the terms of the OPA has been exceeded. Specifically, $250,000 has been requested, and authorized, since the ROPS III through ROPS 15-16B periods. Therefore, the amount of $100,000 requested on ROPS 16-17 is not eligible for funding. This item should be retired from the ROPS.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

    - Item No. 7 – 2008 Series A Tax Allocation Bonds, debt service payment has been adjusted. The Agency requested $2,539,757 from Redevelopment Property Tax Trust Funds (RPTTF); however, Finance is reclassifying $17,000 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has $17,000 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $2,522,757 and the use of Other Funds in the amount of $17,000, totaling $2,539,757 for the ROPS 16-17 period.

    - Item No. 8 – 2008 Series B Tax Allocation Bonds, debt service payment. The Agency requests $2,339,751 from RPTTF; however, Finance is reclassifying $32,666 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has $32,666 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of $2,307,085 and the use of Other Funds in the amount of $32,666, totaling $2,339,751 for the ROPS 16-17 period.

Except for the items denied in whole or in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

The Agency's maximum approved RPTTF distribution for the reporting period is $12,118,146 as summarized in the Approved RPTTF Distribution Table on page 4 (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 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

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 Evelyn Suess, Dispute Resolution Supervisor, or Daisy Rose, Analyst, at (916) 445-3274.

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

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)	$ 4,307,854	$ 8,127,352	$ 12,435,206
Requested Administrative RPTTF	166,303	166,303	332,606
Total RPTTF requested for obligations on ROPS 16-17	4,474,157	8,293,655	**$ 12,767,812**
Total RPTTF requested	4,307,854	8,127,352	**12,435,206**
Denied Items			
Item No. 23	(50,000)	(50,000)	(100,000)
Item No. 192	(250,000)	(250,000)	(500,000)
Reclassified Items			
Item No. 7	(17,000)	0	(17,000)
Item No. 8	(32,666)	0	(32,666)
Total RPTTF authorized	3,958,188	7,827,352	**$ 11,785,540**
Total Administrative RPTTF authorized	166,303	166,303	**$ 332,606**
Total RPTTF approved for distribution	4,124,491	7,993,655	**$ 12,118,146**