



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Bernardino 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 February 1, 2016. Finance issued a ROPS determination letter on April 15, 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 May 2, 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. 19 – Hillwood Properties Development and Disposition Agreement (DDA) was initially reclassified from Redevelopment Property Tax Trust Funds (RPTTF) to Other Funds. Finance no longer reclassifies this item to Other Funds. During the Meet and Confer process, the Agency contended that the Other Funds reported are an estimate of revenues to be received and not actual cash currently available. Therefore, Finance is no longer reclassifies this item to Other Funds.
- Item No. 20 – BP California – Site Remediation costs with outstanding obligation totaling \$226,219. This item was not included in the initial review. During the Meet and Confer process, the Agency requested that the amount be increased from \$41,413 to \$177,363 in the ROPS 16-17A period and increased from \$0 to \$48,856 in the ROPS 16-17B period. Based on the additional documents provided, Finance increases RPTTF funding for the ROPS 16-17A period to \$177,363 and ROPS 16-17B period to \$48,856.
- 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. Finance continues to partially allow this item. A portion of this item relates to LRPMP, Property Nos. 20 and 21 approved to be transferred to the City as future development.

During the Meet and Confer process, the Agency contended that Property Nos. 20 and 21 are not immediately transferable and compensation agreements must first be obtained from the affected taxing entities. However, Dissolution Law does not require that a compensation agreement be reached prior to a property being transferred to the sponsoring entity or in this case, the City. Nevertheless, it is Finance's expectation that the required compensation agreement with the affected taxing entities be entered at some point in the future. Finance notes that the Agency is requesting maintenance costs for properties that have been approved for transfer to the City. Therefore, the Agency should proceed with the transfer of the properties to the City as approved in the LRPMP.

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.

- Item No. 116 – Real Property Security Services in the amount of \$209,308 is partially allowed. Finance continues to partially allow this item. A portion of this item relates to LRPMP, Property Nos. 20 and 21 approved for transfer to the City as future development. During the Meet and Confer process, the Agency contended that Property Nos. 20 and 21 are not immediately transferable and compensation agreements must first be obtained from the affected taxing entities. However, Dissolution Law does not require that a compensation agreement be reached prior to a property being transferred to the sponsoring entity or in this case, the City. Nevertheless, it is Finance's expectation that the required compensation agreement with the affected taxing entities be entered at some point in the future. Finance notes that the Agency is requesting maintenance costs for properties that have been approved for transfer to the City. Therefore, the Agency should proceed with the transfer of the properties to the City as approved in the LRPMP. 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. Finance continues to deny this item. This item relates to LRPMP, Property No. 21 approved for transfer to the City as future development. During the Meet and Confer process, the Agency contended that Property No. 21 is not immediately transferable and compensation agreements must first be obtained from the affected taxing entities. However, Dissolution Law does not require that a compensation agreement be reached prior to a property being transferred to the sponsoring entity or in this case, the City. Nevertheless, it is Finance's expectation that the required compensation agreement with the affected taxing entities be entered at

some point in the future. Finance notes that the Agency is requesting maintenance costs for properties that have been approved for transfer to the City. Therefore, the Agency should proceed with the transfer of the properties to the City as approved in the LRPMP. 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. Finance continues to deny this item. During the Meet and Confer process, the Agency contended that this item is an enforceable obligation pursuant to the Solar Power Purchase Agreement between the former Redevelopment Agency (RDA) and RDA Solar I, LLC. However, RDA Solar I, LLC appears to be a suspended/forfeited company and related to the City. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is not an enforceable obligation and the requested amount of \$40,000 is denied for RPTTF funding.
- Item No. 130 – LRPMP Disposition Costs in the amount of \$250,000 are partially allowed. Finance continues to partially allow this item. A portion of this item relates to LRPMP, Property Nos. 20 through 26 approved for transfer to the City as future development.

During the Meet and Confer process, the Agency contended that Property Nos. 20 through 26 are not immediately transferable and compensation agreements must first be obtained from the affected taxing entities. However, Dissolution Law does not require that a compensation agreement be reached prior to a property being transferred to the sponsoring entity or in this case, the City. Nevertheless, it is Finance's expectation that the required compensation agreement with the affected taxing entities be entered at some point in the future. Finance notes that the Agency is requesting maintenance costs for properties that have been approved for transfer to the City. Therefore, the Agency should proceed with the transfer of the properties to the City as approved in the LRPMP

Therefore, \$147,815 is approved for Agency-owned properties, and the difference, \$102,185 (\$250,000 - \$147,815) is not eligible for RPTTF funding.

Additionally, Finance no longer reclassifies this item to Other Funds. During the Meet and Confer process, the Agency contended that the Other Funds reported are an estimate of revenues to be received and not actual cash currently available. Therefore, Finance is no longer reclassifies this item to Other Funds.

- Item Nos. 95, 113, and 114 – Unfunded Prior-Year Pass-Through Obligations, outstanding obligation amounts totaling \$1,294,705. Finance no longer denies 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 (collectively "LEAs") that requested payments of underfunded pass-throughs for fiscal years 2008-09 through 2010-11. Finance initially denied these items because there was not adequate documentation to support the requested amounts.

During the Meet and Confer process, the Agency and LEAs contended that that the former RDA was the responsible entity for the calculation and disbursement of the pass through amounts and that the County Auditor-Controller gave the former RDA all of the funds to do the calculations and disbursements. Based on additional documents provided, Finance approves the following amounts to be funded from RPTTF:

- Item No. 95 – San Bernardino City Unified School District – \$1,030,851
- Item No. 113 – San Bernardino County Superintendent of Schools – \$22,461
- Item No. 114 – San Bernardino Community College District – \$234,326

In addition, per Finance's letter dated April 15, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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 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.

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 (I) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$16,877,595 as summarized in the Approved RPTTF Distribution Table on Page 6 (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>

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 Mary Halterman, Analyst, (916) 445-3274.

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 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. 20	135,950	48,856	184,806
Item No. 114	204,798	0	204,798
Item No. 125	(366,596)	(80,742)	(447,338)
Item No. 126	(15,000)	0	(15,000)
Total RPTTF adjustments	(40,848)	(31,886)	(72,734)
Total RPTTF requested	12,925,475	5,038,533	17,964,008
Denied Items			
Item No. 38	(451,000)	(451,000)	(902,000)
Item No. 84	(53,499)	(50,149)	(103,648)
Item No. 113	(211,865)	0	(211,865)
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)
	(970,208)	(657,308)	(1,627,516)
Total RPTTF authorized	11,955,267	4,381,225	\$ 16,336,492
Total Administrative RPTTF authorized	388,990	152,113	\$ 541,103
Total RPTTF approved for distribution	12,344,257	4,533,338	\$ 16,877,595