DEPARTMENT OF FINANCE

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May 31, 2012

Ms. Teri Baker, Director of Administrative Services
City of San Bernardino
201 North E Street, Suite 301
San Bernardino, CA 92401

Dear Ms. Baker:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Bernardino Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 25, 2012 for the periods January to June 2012 and July to December 2012. Finance is acknowledging appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

This letter supersedes Finance's letter dated April 27, 2012. Except for items disallowed in whole or in part as enforceable obligations noted below. Finance is approving the remaining items listed in your ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

<u>January to June 2012 ROPS:</u>

- Page 5 of 9, line items 1 through 67 – Capital project funding agreement between the former redevelopment agency (RDA) and San Bernardino Economic Development Corporation (SBEDC) in the amount of $525 million, including any and all related projects, contracts, or agreements. The amount questioned is based on the total amount identified in the agreement. ABx1 26 requires agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies and provide the successor agencies with limited authority that extends only to the extent needed to implement a wind down of RDA affairs and perform under enforceable obligations. As of June 28, 2011, RDAs were prohibited from creating any new obligations and engaging in any new redevelopment. As of February 1, 2012, the RDA's authority was suspended and the RDA ceased to exist. Any transfers of the RDA's powers are impacted by those prohibitions and that dissolution and there is no authority that can be transferred to any other entity to take out or make new loans or engage in any other activity to create obligations. Thus, any specific obligations that did not exist as of June 27, 2011 are not EOs on the successor agency within the meaning of HSC section 34171 (d) (1).

- Page 5 of 9, line 20 – Housing capitalization agreement between the former RDA and Affordable Housing Solutions (AHS) in the amount of $375 million, including any and all related projects, contracts, or agreements. The amount questioned is based on the total

amount identified in the agreement; however, no amounts were reported for the 6-month period. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities. Therefore, this item is not an EO.

- Various contracts totaling $17.3 million. The contracts/agreements were not with the RDA and are therefore not EOs:

Item Number	Page Number	Project	Amount
2	4	Arden Gurtrie Section 108	$10,325,497
118	5	Downtown Transit Center - Rialto & E	3,500,000
119	5	SBx/ Omnitrans Bus Line	3,500,000
		Total	$17,325,497

- Administrative cost claimed exceeds allowance by $2.3 million. HSC section 34171 (b) limits the fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or $250,000, whichever is greater. Five percent of the property tax allocated is $638,077 and is therefore the maximum administrative cost allowance.

<u>July to December 2012 ROPS:</u>

- Form A, line items 54 through 65 – Capital project funding agreement between the former RDA and SBEDC in the amount of $525 million, including any and all related projects, contracts, or agreements. The amount questioned is based on the total amount identified in the agreement for the reasons specified above; however, no amounts were reported for the 6-month period.

- Form B, line items 51 through 75 – Housing capitalization agreement between the former RDA and AHS in the amount of $375 million, including any and all related projects, contracts, or agreements. The amount questioned is based on the total amount identified in the agreement for the reasons specified above.

- Various contracts totaling $16.3 million. The contracts/agreements below were not with the RDA and are therefore not EOs:

Item Number	Form	Project	Amount
19	A	Arden Gurtrie Section 108	$10,325,497
34	A	Downtown Transit Center - Rialto & E	2,500,000
35	A	SBx/ Omnitrans Bus Line	3,500,000
		Total	$16,325,497

- Administrative cost claimed exceeds allowance by $1 million. HSC section 34171 (b) limits the fiscal year 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or $250,000, whichever is greater. Three percent of the property tax allocated is $374,477 and is therefore the maximum administrative cost allowance.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. 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 in the RPTTF.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Larry Walker, Auditor Controller, County of San Bernardino
Ms. Vanessa Doyle, Property Tax Manager, County of San Bernardino
Ms. Linda Santillano, Supervising Accountant, County of San Bernardino
Mr. Franz Zyss, Accountant III, County of San Bernardino