DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 18, 2012

Ms. Lisa Strong, Deputy City Treasurer
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Dear Ms. Strong:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fontana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 21, 2012.

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 item being disputed.

- Item No. 54 – Young Contractors, Inc. (Young) contract retention in the amount of $250,000. Finance continues to deny this item. This item was denied because it is a contract between the City of Fontana (City) and Young. The former redevelopment agency is not a party to the contract. The Agency contends that, although the contract is between the City and Young, all documents identify the Sierra Corridor RDA Project Area as one of the funding sources for the project. However, the only documentation provided to support this position is a City Council resolution identifying the RDA as the source of funding. The Agency did not provide documents to demonstrate the former RDA's commitment of RDA funds; therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

In addition, per Finance's ROPS letter dated October 19, 2012, the following items continue to be denied and were not contested by the Agency:

- Item Nos. 44 through 50 – Tax Sharing payments totaling $3.9 million. HSC section 34183.5 (1) states if the former Redevelopment Agency did not make payments to an affected taxing entity pursuant to any pass-through agreement, the county auditor-controller shall make the required payments to the taxing entities owed pass-through payments and shall reduce amounts to which the successor agency would otherwise be entitled. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 61 through 64 – San Bernardino Association of Governments (SANBAG) contracts and retention payments totaling $18.1 million. These are contracts between the City of Fontana, the County of San Bernardino and SANBAG. Because the City is ultimately responsible for payment of these contracts, these items are not enforceable obligations of the Agency.

- Administrative costs claimed exceed the allowance by $285,940. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. Three percent of the property tax allocated is $1,369,924. The Agency claimed $789,177 of this total during the July through December 2012 ROPS, leaving $580,747 unclaimed. Therefore, $285,940 of the claimed $866,687 is not an enforceable obligation. See the Administrative Cost calculation table below.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $19,939,010 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	28,889,553
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 44		153,627
Item 45		1,652,397
Item 46		921,235
Item 47		853,577
Item 48		21,600
Item 49		218,076
Item 50		60,779
Item 54		250,000
Item 61		2,000,000
Item 62		200,000
Item 63		3,000,000
Item 64		200,000
Total approved RPTTF for enforceable obligations	$	19,358,262
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		580,747
Total RPTTF approved:	$	19,939,010

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	26,305,887
Total RPTTF for the period January through June 2013		19,358,262
Total RPTTF for fiscal year 2012-13:	**$**	**45,664,149**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		1,369,924
Administrative allowance for the period of July through December 2012		789,177
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**580,747**

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana
Ms. Vanessa Doyle, Property Tax Manager, County of San Bernardino
California State Controller's Office