



December 18, 2012

Ms. Tina Kundig, Director of Finance
City of Redlands
35 Cajon Street, Suite 15B
Redlands, CA 92373

Dear Ms. Kundig:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 22, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redlands Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 7, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 22, 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 29, 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 items being disputed.

- Item No. 1 – Loan for Demand Payment in the amount of \$65,607 payable from Redevelopment Property Tax Trust Fund (RPTTF). Finance continues to deny this item. Pursuant to HSC section 34183.5, the July true-up process was to distribute the amount of residual property tax revenue to affecting taxing entities based on the amount approved by Finance on the January through June 2012 ROPS. We note that in the event that the Agency does not receive sufficient RPTTF funding in a given ROPS period the City is authorized to loan funds to the Agency to pay for approved enforceable obligations. However, this loan was made in order to pay for the July 12, 2012 residual payment demand and not for approved enforceable obligations. As such, it is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS.
- Item Nos. 7, 8, 11, 14 through 21, 24, and 27. Finance continues to reclassify these items as administrative costs. Finance is no longer reclassifying Items 12 or 22 as an administrative cost. Item 12 is related to audit services for mandated audits that the Agency is required to perform. Item 22 is related to maintaining Agency assets prior to disposition. As for the other Items being reclassified, the Agency contends the items are enforceable obligations for a variety of reasons. However, while the law allows the Agency to enter into contracts to conduct wind down activities, the cost of those administrative activities necessary must be subject to the administrative cost cap unless

the cost falls into one of the specifically exempted categories listed in HSC section 34171 (b).

- Claimed administrative costs exceed the allowance by \$55,086. HSC section 34171(b) limits the administrative costs to three percent of the property tax allocated to the Agency or \$250,000, whichever is greater. The Agency is eligible for \$266,008 in administrative expenses for the fiscal year 2012-13. Therefore, \$55,086 of the claimed \$321,694 is not an enforceable obligation and is not eligible for RPTTF funding.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$7,174,385 as summarized below:

Total RPTTF funding requested for obligations	\$ 7,112,580
Less: Six-month total for items denied or reclassified as administrative cost	
Item 1	65,607
Item 7*	15,095
Item 8*	4,000
Item 11*	1,000
Item 14*	14,045
Item 15*	67,006
Item 16*	200
Item 17*	7,750
Item 18*	5,000
Item 19*	450
Item 20*	1,550
Item 21*	2,400
Item 24*	7,500
Item 27*	12,600
Total approved RPTTF for enforceable obligations	\$ 6,908,377
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	266,008
Total RPTTF approved:	\$ 7,174,385

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,958,561
Total RPTTF for the period January through June 2013	6,908,377
Total RPTTF for fiscal year 2012-13:	\$ 8,866,938
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	266,008
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 266,008

*Reclassified as administrative costs

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: Mr. Jim Brown, Economic Development Manager, City of Redlands
Ms. Vanessa Doyle, Auditor-Controller Manager, County of San Bernardino
California State Controller's Office