DEPARTMENT OF FINANCE

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December 18, 2012

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

Dear Mr. Dutrey:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 6, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rialto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 6, 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 14, 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 items being disputed.

- Item Nos. 19 and 20 – 2007 Certificates of Participation (COP) reimbursement agreements in the amount of $1.9 million. Finance no longer objects to the items. Finance denied the items as HSC section 34171 (d) (2) states agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA not enforceable. The Agency contends the items are enforceable obligations because the COP was first in effect beginning in 1989 and refinanced twice in 1997 and 2007. The Agency provided a Reimbursement Agreement entered into at the time of issuance of the 2007 COP. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. The Reimbursement Agreement is solely for the purpose of securing or repaying indebtedness obligations and it was entered into prior to December 31, 2010, at the time of issuance of the indebtedness obligations. Therefore, the items are enforceable obligations and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 27 – Pass through agreement for the West San Bernardino Water District in the amount of $739,468. Finance continues to deny the item. Finance denied the items as HSC section 34182 (c) (3) directs the county auditor-controller to prepare estimates of amounts of property tax to be allocated and disturbed, and the amounts of pass through

payments to be made, in the upcoming six-month period. The Agency contends the items are enforceable obligations because they were advised by the county auditor controller that an existing pass-through agreement between the water district and the former RDA should be treated as an enforceable obligation because the county auditor controller does not recognize this as a pass-through payment per HSC section 34182 (c) (3). However, Section 3.4 of the Agreement states the parties authorize the Auditor/Controller of the County to make such allocations and payments directly to the party designated to be entitled to such allocation and payment if and when to the extent such payments shall be made. Since this is a pass through agreement to be paid directly by the county auditor-controller, the payments should not be listed on the ROPS. Therefore, the item is not an enforceable obligation.

- Item Nos. 61, 63, and 64 – various projects between the former RDA, the City of Rialto (City), and San Bernardino County totaling $31.4 million bond funds. Finance continues to deny the items at this time. Finance denied the items as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. The Agency did not object to Item 63. However, the Agency contends Items 61 and 64 are enforceable obligations because the construction contracts were approved prior to June 27, 2011, and they include a third party – County Transportation Commission. However, the Cooperation Agreements are between the City and the former RDA. 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. Furthermore, the contracts are between the City and a third party, not the former RDA. Therefore, the items are not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- Item Nos. 72 and 73 – West Jackson project agreement with Southern California Housing Resources and Development in the amount of $5.9 million bond funds. Finance continues to deny the items at this time. Finance denied the items as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. There are no contracts in place for the various projects. The Agency contends the items are enforceable obligations because the agreements and former RDA funds transfers were approved prior to June 27, 2011, for the projects. However, the Cooperation Agreements are between the City and the former RDA. 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. Furthermore, the contracts are between the City and a third party, not the former RDA. Therefore, the items are not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- Item No. 75 – Crossroads Mixed Use Housing agreement with the KDF Communities in the amount of $7.2 million bond funds. Finance continues to deny the item at this time. Finance denied the item as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. There are no contracts in place for the various projects. The Agency contends the item is an enforceable obligation because the agreement was approved March 23, 2010. However, the Cooperation Agreement is between the City and the former RDA. 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. Furthermore, the contract is between the City and a third party, not the former RDA. Therefore, the item is not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

In addition, per Finance's ROPS letter dated October 6, 2012, the following items not disputed by the Agency continue to be denied:

- Item No. 83 – Certificates of Participation reimbursement agreement with the City of Rialto in the amount of $8.3 million, no fund source identified. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. There are no contracts in place for the various projects; therefore, these items are not enforceable obligations.

- Item Nos. 108 through 123 – Pass through payments totaling $2.2 million other funds. HSC section 34182 (c) (3) directs the county auditor-controller to prepare estimates of amounts of property tax to be allocated and disturbed, and the amounts of pass through payments to be made, in the upcoming six-month period.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $8,408,833 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	8,203,801
Less: Six-month total for item(s) denied or reclassified as administrative cost Item 27		41,082
Total approved RPTTF for enforceable obligations	$	8,162,719
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		246,114
Total RPTTF approved:	$	8,408,833

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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County
California State Controller's Office