DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR

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May 17, 2013

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 the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fontana Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 4, 2013 for the period of July through December 2013. 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 May 2, 2013.

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. 40 – Lease Revenue Bonds 2003 in the amount of $2,288,075. Finance is no longer objecting to this item. Finance originally denied this item because the item was secured solely by revenues from lease payments to be received by the Fontana Public Financing Authority from the City of Fontana (City). Also, there is no requirement to fund this bond through tax increment. However, during the Meet and Confer process, the Agency stated the 2003 bonds were issued to refund the 1993 refunding Certificate of Participation (COP). Additionally, the 1993 bonds were issued to refund the 1986 COP. Through the Meet and Confer process, the Agency provided the 2003 reimbursement agreement, bond indenture and lease agreement. Upon review of the documentation provided, the reimbursement agreement was entered into at the time of issuance of the 2003 bonds and solely for the purpose of securing or repaying the indebtedness obligation. Therefore, these items are enforceable obligations.

In addition, per Finance's ROPS letter dated April 18, 2013, the following items continue to be denied and were not contested by the Agency:

- Item Nos. 2, 3, 7, 11, 15, 19, 20, 23, 27, 28, 31, 34, 37 and 38 – Various Tax Allocation Bonds, Refunding Bonds, and Revenue Bonds totaling $23,966,727; payable from Reserve Balances. According to the Agency, these items are not obligations due within the ROPS 13-14A period and were included on the ROPS only for informational purposes. Therefore, these items are not eligible for funding on the ROPS.

- Item No. 41 and 42 – 2003 PFA Lease Revenue Bonds totaling $1,143,403 funded with Reserve Balances. It is our understanding these items are not obligations due within the ROPS 13-14A period and were included on the ROPS only for informational purposes. Therefore, these items are not eligible for funding on the ROPS.

- Item No. 54 – Young Contractors, Inc. for the Fire Station Project in the amount of $250,000 on ROPS III and $0 on ROPS 13-14A. The Agency requested a review of this item that was previously denied on the January through June 2013 ROPS (ROPS III). Finance reviewed documents provided by the Agency subsequent to the ROPS III Meet and Confer session. However, Finance continues to deny this item for the following reasons. The Tax Sharing Agreement, dated November 23, 1993, does not support an obligation to Young Contractors, Inc. The Improvement and Renovation Project for the Fire Station contract was entered into between the City of Fontana (City), and Young Contractors, Inc. The former redevelopment agency (RDA) is neither a party to the contract nor responsible for payment of the contract.

  Instead, the Tax Sharing Agreement, between the RDA and the Central Valley Fire Protection District, allows the Agency, as solely determined by the Agency, to contribute an amount not to exceed $2.5 million, toward the cost of land and capital improvements for the construction of a replacement for Fire Station No. 71, to be completed no later than 7 years from the date of the November 1993 Tax Sharing Agreement.

- Claimed administrative costs exceed the allowance by $134,415. HSC section 34171(b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $846,899 in administrative expenses. Although $850,814 is claimed for administrative cost, Item Nos. 65, 66 and 69 totaling $130,500 are considered general administrative expenses and should be counted toward the cap. Therefore, $134,415 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $26,351,092 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	28,360,467
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 54		-
Item 65*		105,000
Item 66*		5,000
Item 69*		20,500
Total approved RPTTF for enforceable obligations	$	28,229,967
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		846,899
Minus: ROPS II prior period adjustment		(2,725,774)
Total RPTTF approved for distribution:	**$**	**26,351,092**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

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