



May 17, 2013

Ms. Cynthia Fortune, Finance Manager
City of Grand Terrace Successor Agency
22795 Barton Road
Grand Terrace, CA 92313

Dear Ms. Fortune:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 11, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grand Terrace Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 25, 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 April 29, 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 items being disputed.

- Items No. 36 and 38 totaling \$62,500 are considered general administrative costs and have been reclassified. Finance continues to reclassify these items as administrative costs. The Agency contends the items are enforceable obligations because they are related to wind down activities. However, the items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171(b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Although this reclassification increased administrative costs to \$130,250, the administrative cost allowance has not been exceeded.

- Item No. 40 (originally reported as Item 17A) – Michigan Street Improvements Project in the amount of \$480,000 funded by 2011 bond proceeds. This item was denied as an inclusion to the ROPS for the period January through June 2013, later upheld during the Meet and Confer Process in our letter dated December 18, 2012. Finance continues to

deny this item. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for this line item were awarded after June 27, 2011. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item No. 42 (originally reported as Item 28A) – Supplemental Educational Revenue Augmentation Fund Loan in the amount of \$448,636. Finance continues to deny this item at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. Therefore, this item is not eligible for funding at this time. The Agency may be able to request funding beginning with ROPS 14-15A.
- Item No. 43 (originally reported as Item 30A) – City of Grand Terrace (City) Residual Receipts Agreement in the amount of \$3 million. Finance continues to deny this item at this time. Pursuant to HSC section 34171 (d) (2), this item was originally denied stating that the interagency loans or agreements between the City and the Agency are not enforceable obligations.

The Agency received a Finding of Completion on May 9, 2013. As such, after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable obligations in the future ROPS 14-15 periods and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's ROPS letter dated April 11, 2013, the following item was originally contested, but was withdrawn by the Agency during the Meet and Confer session; therefore, this item continues to be denied:

- Item No. 35 – RSG Consulting Services in the amount of \$135,000. The contract is between the City and a third party. The former RDA is neither a party to the contract nor responsible for payment of the contract. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding.

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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is \$1,353,531 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,130,919
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 35	6,750
Item 36*	1,250
Item 38*	4,000
Item 40	448,636
Item 43	300,000
Total approved RPTTF for enforceable obligations	\$ 1,370,283
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	130,250
Minus: ROPS II prior period adjustment	(147,002)
Total RPTTF approved for distribution:	\$ 1,353,531

*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)

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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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Ms. Betsy Adams, City Manager, City of Grand Terrace
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office