



April 13, 2013

Ms. Linda Daniels, Assistant City Manager
City of Rancho Cucamonga Successor Agency
10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Dear Ms. Daniels:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Cucamonga Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 34 through 41 – Various Mobile Home Rental Assistance projects totaling \$3,008,880. The documentation provided is insufficient to establish a commitment for each of the line items. Additionally, documentation does not support the recipients and the amounts claimed. Therefore, these items are not enforceable obligations, and not eligible for funding on the ROPS.
- Item Nos. 63, 64, 67 through 68 – Public Works Service Center Project totaling \$910,984, payable from bond proceeds, are not enforceable obligations at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011. Pursuant to HSC section 34191.4 (c), your request to use bond proceeds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.
- Item No. 69 – Base Line/I-15 Interchange Project in the amount of \$299,774, payable from bond proceeds, is not an enforceable obligation at this time. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that a contract for this line item was awarded after June 27, 2011. Pursuant to HSC section 34191.4 (c), your request to use bond proceeds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance.

- Item No. 79 – Base Line and I-15 Freeway Construction in the amount of \$37 million, payable from bond proceeds, is not an enforceable obligation at this time. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that a contract for this line item was awarded after June 27, 2011. Pursuant to HSC section 34191.4 (c), your request to use bond proceeds for this obligation may be allowable once the Agency receives a Finding of Completion from Finance.
- Item No. 81 – Housing Bond Proceeds in the amount of \$8.6 million. Transfer of unspent bond proceeds to the Housing Successor Agency is not allowed. HSC section 34176 (g)(1)(A) authorizes the entity assuming the housing functions to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants.

The proceeds must have been derived from bonds that were issued for the purposes of affordable housing and issued prior to January 1, 2011. To initiate this process, the entity assuming the housing functions is required to provide notice to the successor agency of any designations of use or commitments of funds that it wishes to make at least 20 days before the deadline for submission of the ROPS to the Oversight Board. These commitments and designations will not be considered valid or binding until they are included in and approved on a valid ROPS.

- Claimed administrative costs exceed the allowance by \$72,747. HSC section 34171 (b) limits 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 \$523,160 in administrative expenses. Although \$514,033 is claimed for administrative cost, Item No. 82 relating to salaries and benefits, in the amount of \$81,873, is considered an administrative expense and should be counted toward the cap. Therefore, \$72,747 of the claimed \$595,906 is not allowed

Except for items denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining item 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 \$15,534,994 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 17,592,163
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 34	7,200
Item 35	7,200
Item 36	10,800
Item 37	4,200
Item 38	7,020
Item 39	13,740
Item 40	8,880
Item 41	12,600
Item 82*	81,873
Total approved RPTTF for enforceable obligations	<u>\$ 17,438,650</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>523,160</u>
Minus: ROPS II prior period adjustment	<u>(2,426,816)</u>
Total RPTTF approved for distribution:	\$ 15,534,994

*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/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/)

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)

Ms. Daniels
April 13, 2013
Page 4

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 Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'STEVE SZALAY', with a long horizontal stroke extending to the left.

STEVE SZALAY
Local Government Consultant

cc: Mr. Flavio Nunez, Management Analyst I
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office