



May 16, 2014

Ms. Vanessa Martinez, Assistant Finance Director  
City of Adelanto  
11600 Air Expressway  
Adelanto, CA 92301

Dear Ms. Martinez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Adelanto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 15, 2014. 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 7, 2014.

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 Nos. 25 and 27 (Agency reported Item Nos. 16 and 18) – Long Range Property Management Plan (LRPMP) preparation costs totaling \$30,000. Finance continues to partially deny this item. It is our understanding the Agency expended Reserve Balances to fund LRPMP preparation costs during the January through July 2014 (ROPS 13-14B) period; however, this was not listed or approved on the ROPS 13-14B. The Agency is seeking authority to make these payments, recover the costs paid during ROPS 13-14B, and fund any additional costs associated with the preparation of the LRPMP.

For Item 25, our review of the documentation provided by the Agency supports that \$2,795 was expended pursuant to an agreement between the Agency and a third party (Agreement) in February 2014. The Agreement indicates that the LRPMP was due in April; therefore, Finance has determined that it is unlikely that the Agency has or will expend the entire contract amount. Therefore, the unsupported amount of \$12,205 is denied and the Agency is authorized to receive \$2,795 to recover those costs expended towards the LRPMP.

For Item 26, while the Agency anticipates these funds will be needed for title reports and other costs associated with the LRPMP. While this cost may be necessary to dispose of the property, it is not a requirement for the preparation of the LRPMP. Finally, we note that the Agency's LRPMP has not yet been approved.

In addition, during our original ROPS 14-15A review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$200,433 and available Reserve Balances totaling \$3,503,487. Therefore, Finance reclassified Items 1 through 5 to those Other Funds and Reserve Balances. The Agency claims these are bond proceeds and cannot be used for debt service. They are not, they are funds on hand with the Trustee needed to make debt service payments for ROPS 14-15A. We note that the Reserve Balances referenced in the reclassification are those funds currently in possession of the Trustee as verified in a letter from Union Bank (Trustee). This letter indicates that the Trustee has sufficient funds on hand to make the ROPS 14-15A debt service payments. In addition, the letter provided by the Trustee states that new funds are needed for the new bond year; however, the next distribution in the new bond year is the January through June 2015 (ROPS 14-15B) distribution. The Agency should request the full bond year debt service payment on the ROPS 14-15B to ensure compliance with the bond indenture.

Therefore, for the reasons above, Finance continues to believe the reclassification of items 1 through 5 is proper and necessary.

- Item Nos. 1 through 5 – Various Tax Allocation Bonds debt service payments totaling \$2,595,739 for payments due July through December 2014. The Agency requests \$2,595,739 from RPTTF; however, Finance is reclassifying \$200,433 to Other Funds and \$2,395,306 to Reserve Balances. These items are enforceable obligations for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$200,433 in available Other Funds and \$3,503,487 in available Reserve Balances. Therefore, Finance is approving Other Funds in the amount of \$200,433 and the use of Reserve Balances in the amount of \$2,395,306, totaling \$2,595,739 for these items.

In addition, per Finance's letter dated April 15, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 15 – Adelanto Improvement Project 3 in the amount of \$3,056,314 is not an enforceable obligation. A Finding of Completion was issued on October 3, 2013, and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, the Agency did not provide sufficient documentation to support the six-month expenditures. To the extent the Agency can provide proper documentation, such as third party estimates or construction schedules to support the requested funding, the Agency may be able to obtain Bond Proceeds funding on a future ROPS.
- Item No. 26 – Victor Valley Community College (VVCC) Pass-Through payment in the amount of \$25,896. The Agency provided a demand letter from VVCC that requested payments of underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

The Agency assigned retired line item numbers to new line items on the ROPS Analysis spreadsheet. As a result, Finance made the following corrections:

- Item No. 16 – Long Range Property Plan in the amount of \$15,000 has been corrected to Item No. 25.
- Item No. 17 – Underpayment of Pass-through in the amount of \$25,896 has been corrected to Item No. 26.
- Item No. 18 – Long Range Property Plan in the amount of \$15,000 has been corrected to Item No. 27.

Items which no longer require funding should be classified as “retired” but retain the number assigned to the obligation on the ROPS. Furthermore, item numbers may only be used once and new obligations of the Agency should be listed with the next available sequential number. The item numbers referenced above reflect the corrected numbering sequence, as well as the Agency reported item numbers for record keeping purposes.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC’s audit of the Agency’s self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations and for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A.

The Agency’s maximum approved RPTTF distribution for the reporting period is \$127,795 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	2,651,635
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 2,776,635</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,651,635</b>
<u>Denied Items</u>	
Item No. 25	(12,205)
Item No. 26	(25,896)
Item No. 27	(15,000)
	(53,101)
<b>Total RPTTF for non-administrative obligations</b>	<b>2,598,534</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(916,675)
Item No. 2	(107,160)
Item No. 3	(826,983)
Item No. 4	(588,588)
Item No. 5	(156,333)
	(2,595,739)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$2,795</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 127,795</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 127,795</b>

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Onyx Jones, Interim Finance Director, City of Adelanto  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County  
California State Controller's Office