DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 16, 2014

Mr. Chuck Dantuono, Director of Administrative Services
City of Highland
27215 Base Line
Highland, CA 92346

Dear Mr. Dantuono:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Highland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 does not qualify as an enforceable obligation for the reasons specified:

- Item No. 114 – Housing Entity Administrative Cost in the amount of $150,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Highland (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, $150,000 of housing entity administrative allowance is not allowed.

Finance noted the Agency did not include the principle portion of the debt service payments in the requested payment amount. Therefore, at the Agency's request, Finance made the following changes:

- Item No. 1 – 2007 Tax Allocation Bonds-debt service payment in the amount of $896,063 was increased by $840,000 for a total of $1,736,063.

- Item No. 2 – 2004A Tax Allocation Bonds-debt service payment in the amount of $367,038 was increased by $315,000 for a total of $682,038.

- Item No. 3 – 2004B Tax Allocation Bonds-debt service payment in the amount of $63,715 was increased by $165,000 for a total of 228,715.

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 Redevelopment Property Tax Trust Funds (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.

On the ROPS 13-14A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Item No. 46 – 2007 Bonds-Base Line, et al in the amount of $5,000
- Item No. 47 – 2007 Bonds-Greenspot Rd (SR 210 to Boulder) in the amount of $10,000
- Item No. 49 – 2007 Bonds-Bruce St. & Crest St. in the amount of $8,000
- Item No. 50 – 2007 Bonds-Base Line Safety Improvements in the amount of $2,000
- Item No. 51 – 2007 Bonds-Base Line Safety Improvements in the amount of $3,000
- Item No. 52 – 2007 Bonds-Base Line Safety Improvements in the amount of $2,000
- Item No. 54 – 2007 Bonds-Base Line Beautification/Median in the amount of $5,000
- Item No. 55 – 2007 Bonds-Base Line Beautification/Median in the amount of $6,000
- Item No. 57 – 2007 Bonds-East Highlands Village in the amount of $5,000
- Item No. 59 – 2007 Bonds-Base Line Pavement Rehab in the amount of $15,000
- Item No. 61 – 2007 Bonds-Greenspot Road Widening in the amount of $35,105
- Item No. 64 – 2007 Boulder Avenue Bridge @ City Creek in the amount of $65,000
- Item No. 65 – 2007 Bonds-Professional Services Contract in the amount of $15,200
- Item No. 66 – 2007 Bonds-Professional Services Contract in the amount of $60,000
- Item No. 68 – 2004A Bonds-Sterling Ave Storm Drain in the amount of $87,135

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Bond Proceeds were previously expended, the increase in authorization should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

Except for the item denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is $3,823,641 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		2,472,903
Total RPTTF requested for administrative obligations		200,000
Total RPTTF requested for obligations	**$**	**2,672,903**
Agency requested RPTTF adjustment to non-administrative obligations		1,320,000
Agency requested RPTTF adjustment to administrative obligations		-
Total Agency requested RPTTF adjustments	**$**	**1,320,000**
Total RPTTF requested for non-administrative obligations	**$**	**3,792,903**
Total RPTTF authorized for non-administrative obligations	**$**	**3,792,903**
Total RPTTF requested for administrative obligations		**200,000**
Denied Item		
Item No. 114		(75,000)
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**3,917,903**
ROPS 13-14A prior period adjustment		(94,262)
Total RPTTF approved for distribution	**$**	**3,823,641**

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

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

Absent a Meet and Confer, 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.

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

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Terry Rhodes, Senior Accountant, City of Highland
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office