DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

April 17, 2014

Mr. A.J. Wilson, Executive Director
Inland Valley Development Agency
1601 East Third Street, Suite 100
San Bernardino, CA 92408

Dear Mr. Wilson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Inland Valley Development Agency Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 13, 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 do not qualify as enforceable obligations for the reasons specified:

- Item No. 11 – San Bernardino Valley Municipal Water District (SBVMWD) Reimbursement Agreement in the amount of $2,635,853 payable form Redevelopment Property Tax Trust Fund (RPTTF) funding. The Agency provided a San Bernardino County Auditor-Controller letter dated April 20, 2011, asserting the amount due to SBVMWD as $6,546,836. However, the Agency requested, and Finance approved, funding in the amount of $3,956,384 for the period January through June 2014. Therefore, the remaining obligation is $2,590,452. The Agency requested $2,635,853; however, the excess $45,401 ($2,635,853 - $2,590,452) is not allowable. To the extent the Agency can provide suitable documentation to support the full amount requested, the Agency may be able to obtain additional RPTTF funding on future ROPS.

- Item Nos. 13 and 52 – Airport Operations and Inland Valley Development Joint Powers Authority Obligations totaling $31,403,698. It was Finance's initial understanding that Item No. 52 was related to the Military Base Reuse and Airport Financing Agreement (Agreement) that was executed between the Agency and SBIAA on January 19, 2011. Finance initially denied Item No. 52 as it was our understanding that the principle decision makers are the same for both the Agency and SBIAA; therefore, we questioned the validity of the agreement. During the Meet and Confer process held for the period January through June 2014, the Agency clarified that this item is not related to the previously referenced agreement, but is related to the IVDA Joint Powers Agreement (JPA) dated January 24, 1990, as amended and that this item represents the revenues of the IVDA JPA. Based upon the information provided, Finance has determined that

Item No. 52 does represent the estimated receipts from the JPA's member entities to IVDA. The ROPS put forth by IVDA is not listing payment to their member entities rather it is listing collection amounts. The ROPS is a controlling document related to payments only.

Item No. 13, Airport Operations, utilizes the same agreement. Therefore, for reasons stated above, this item is also not eligible for payment on IVDA's ROPS and should be removed all together. Furthermore, we note that to the extent the JPA has obligations to pay utilizing a source of revenues, that is separate and distinct from the property tax revenue received by IVDA, the JPA does not need to obtain approval for those payments on IVDA's ROPS.

Additionally, the Agency listed Item Nos. 56 and 57 – 2014 Tax Allocation Refunding Bonds Series A and B debt service payments and 2014 Tax Allocation Refunding Bonds refinancing costs of issuance totaling $7,721,000. Finance received OB Resolution 2013-07, and approved the Agency to refund CMB Loans and 2011 Tax Allocation Bonds, Series A and B as communicated in our determination letter dated January 17, 2014. It is our understanding the Agency has not refunded the 2011 Tax Allocation Bonds at this point. Should the Agency be successful in refunding the 2011 Tax Allocation Bonds during this period, Finance expects the Agency to adjust spending authority for payments of the existing bonds accordingly. As required by HSC section 34186 (a), the Agency should report the estimated obligations and actual payments. Any unspent funds should be reported as prior period adjustments. Additionally, with the Agency's concurrence, Finance has reclassified refinancing costs of issuance from RPTTF to Bond Proceeds, pursuant to HSC section 34177.5 (a) (B) whereby refunding allows for the payment of related costs of issuance from bond proceeds.

Our review indicates that the Agency reused Item No. 53 originally assigned to the Reimbursement - 7/12/12 True Up Payment obligation which was not retired on ROPS 13-14B. Therefore, with the Agency's concurrence, Finance has renumbered Item Nos. 53 through 57 to 54 through 58. The Agency should maintain the existing ROPS line item numbers and should only create a new line item if the obligation was not listed on a prior ROPS.

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 the items denied in whole or in part as enforceable obligations, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $19,219,110 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		25,923,209
Total RPTTF requested for administrative obligations		495,000
Total RPTTF requested for obligations	**$**	**26,418,209**
Total RPTTF requested for non-administrative obligations		**25,923,209**
Denied Items		
Item No. 11		(45,401)
Item No. 13		(2,750,000)
Item No. 52		(3,903,698)
		(6,699,099)
Reclassified Items		
Item No. 56		(500,000)
Total RPTTF authorized for non-administrative obligations	**$**	**18,724,110**
Total RPTTF authorized for administrative obligations	**$**	**495,000**
Total RPTTF authorized for obligations	**$**	**19,219,110**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**19,219,110**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

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. Alka Chudasma, Interim Director of Finance, Inland Valley Development Agency
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office