DEPARTMENT OF FINANCE

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May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 17, 2014. 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 Finance on March 13, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 17, 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 6, 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 items being disputed.

- 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. Finance no longer denies this item. 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, Finance initially denied this item as 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. During the Meet and Confer process, the Agency contended that the excess amount is related to a late payment penalty and provided a reconciliation of payments that were due and made. Therefore, this item is eligible for RPTTF funding.

- Item Nos. 13 and 52 – Airport Operations and Inland Valley Development Joint Powers Authority Obligations totaling $31,403,698. Finance no longer denies Item No. 13 and continues to deny Item No. 52.

  For Item No. 13, Airport Operations, during the Meet and Confer process, the Agency clarified that payment for the airport operations is required pursuant to the January 19, 2011 Military Base Reuse and Airport Financing Agreement between the former Redevelopment Agency and the San Bernardino International Airport Authority.

The Agency anticipates that these payments will be ending once the airport begins generating sufficient revenues to cover these costs. Therefore, this item is eligible for payment.

It was Finance's initial understanding that Item No. 52 was related to the 2011 Military Base Reuse and Airport Financing Agreement. During the Meet and Confer process held for the January through June 2014 (ROPS 13-14B) period, 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. During the Meet and Confer process for ROPS 14-15A, the Agency provided further clarification that this item is the JPA's revenues that should be passed through the Agency for payment to the JPA. However, the Agency has not provided any documents to show that an enforceable obligation, pursuant to HSC section 34171 (d) (1), exists that requires the payment of these revenues to the JPA to be listed on the ROPS. Therefore, this item is not an enforceable obligation.

- 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 that as of May 15, 2014, the Agency has completed the refunding of the 2011 Tax Allocation Bonds. Finance verified with the Agency that the amount requested for Item No. 56 should be revised to $5,711,331, no revisions need to be made to Item No. 57, and the amounts requested for Item Nos. 1 through 3, 2011 Tax Allocation Bonds are no longer needed. Therefore, the funding requested for Item No. 56 will be decreased by $1,509,669 and Item Nos. 1 through 3 will be reduced to $0.

- Claimed administrative costs exceed the allowance by $42,114. HSC section 34171 (b) limits the fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. Although $495,000 is claimed for administrative cost, only $452,886 is available pursuant to the cap. Therefore, $42,114 of excess administrative cost is not allowed.

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. The Agency's maximum approved RPTTF distribution for the reporting period is $17,038,978 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	**$**	**26,418,209**
Total RPTTF requested for non-administrative obligations		**25,923,209**
Denied Items		
Item No. 1		(1,300,000)
Item No. 2		(998,750)
Item No. 3		(1,125,000)
Item No. 52		(3,903,698)
Item No. 55		(1,509,669)
		(8,837,117)
Reclassified Items		
Item No. 56		(500,000)
Total RPTTF authorized for non-administrative obligations	**$**	**16,586,092**
Total RPTTF requested for administrative obligations		**495,000**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(42,114)
Total RPTTF authorized for administrative obligations	**$**	**452,886**
Total RPTTF authorized for obligations	**$**	**17,038,978**
ROPS 13-14A prior period adjustment		0
Total RPTTF approved for distribution	**$**	**17,038,978**

Administrative Cost Cap Calculation		
Total RPTTF authorized for non-administrative obligations		15,096,199
Percent allowed pursuant to HSC section 34171 (b)		3%
Total RPTTF allowable for administrative obligations		**452,886**
Total RPTTF administrative obligations after Finance adjustments		495,000
Administrative costs in excess of the cap	**$**	**(42,114)**

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

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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