DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 2, 2014

Ms. Linda Daniels, Assistant City Manager
City of Rancho Cucamonga
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 14-15A) to the California Department of Finance (Finance) on February 26, 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. 48 – Southern California Housing Development Corporation housing rehabilitation loan in the amount of $169,600. Although total Redevelopment Property Tax Trust Fund (RPTTF) requested is $339,200, only $169,600 is due during the ROPS 14-15A period. It is our understanding the Agency is requesting additional funding in the amount of $169,600 in order to fund a payment originally due September 2011. No documentation was provided to support the additional amount claimed, however, to the extent the Agency can provide suitable documentation, such as a demand letter or reconciliation, to support the requested funding, the Agency may be able to obtain RPTTF, funding on a future ROPS. Therefore, the excess $169,600 ($339,200-$169,600) is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 89 – Claimed administrative costs exceed the allowance by $5,088. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. Although $633,008 is claimed for administrative cost, only $627,920 is available pursuant to the cap. Therefore, $5,088 of excess administrative cost is not allowed.

During our 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 additional available Reserve Balances totaling $1,735,119.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 1 – 2007 Tax Allocation Bond debt service totaling $7,056,448 for payments due July through December 2014. The Agency requests $5,250,754 from RPTTF and $1,805,694 from Reserve Balances; however, Finance is reclassifying an additional $1,735,119 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has $1,735,119 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $3,515,635 and the use of Reserve Balances in the amount of $3,540,813 ($1,805,694 + $1,735,119), totaling $7,056,448.

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 or for the item that has been reclassified, 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 $19,336,372 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		21,100,253
Total RPTTF requested for administrative obligations		633,008
Total RPTTF requested for obligations	**$**	**21,733,261**
Total RPTTF requested for non-administrative obligations		**21,100,253**
Denied Item		
Item No. 48		(169,600)
		(169,600)
Total RPTTF for non-administrative obligations		**20,930,653**
Cash Balances - Item reclassified to other funding sources		
Item No. 1		(1,735,119)
		(1,735,119)
Total RPTTF authorized for non-administrative obligations	**$**	**19,195,534**
Total RPTTF requested for administrative obligations		**633,008**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(5,088)
Total RPTTF authorized for administrative obligations	**$**	**627,920**
Total RPTTF authorized for obligations	**$**	**19,823,454**
Total ROPS 13-14A PPA		(487,082)
Total RPTTF approved for distribution	**$**	**19,336,372**

Administrative Cost Cap Calculation		
Total RPTTF for non-administrative obligations		20,930,653
Percent allowed pursuant to HSC section 34171 (b)		3%
Total RPTTF allowable for administrative obligations		**627,920**
Total RPTTF administrative obligations after Finance adjustments		633,008
Administrative costs in excess of the cap	**$**	**(5,088)**

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. Tamara Layne, Finance Director, City of Rancho Cucamonga
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office