



April 8, 2014

Mr. John Dutrey, Housing Program Manager
City of Rialto
150 South Palm Avenue
Rialto, CA 92376

Dear Mr. Dutrey:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rialto 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. 84 – 2004 Housing HELP Loan in the amount of \$1,300,000 is not an enforceable obligation. Finance continues to deny this item. It is our understanding that the Agency is not a party to the loan agreement entered into on September 3, 2004 between the Rialto Housing Authority and the California Housing Finance Agency. It is also our understanding the Agency did not enter into a subsequent repayment agreement and made no commitment for the repayment of this loan. Further, actions taken by the Rialto Housing Authority's Board to commit the former redevelopment agency's (RDA) funds to the agreement; however, no actions were taken by the former RDA's Board to commit the funds (i.e. repayment agreement). As such, this is an obligation of the Rialto Housing Authority, not the Agency. Therefore, the item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 146 – San Bernardino Avenue Alignment Project in the amount of \$2,326,600, funded by Bond Proceeds. It is our understanding the contract for this line item has not been awarded. To the extent the Agency can provide proper documentation, such as an executed contract, third party estimates, or bid documents, to support the six-month estimated expenditure, Bond Proceeds funding may be approved on future ROPS. Therefore, this item is not eligible for Bond Proceeds funding on this ROPS.
- Item No. 147 – Cedar Avenue Alignment Project in the amount of \$700,000, funded by Bond Proceeds. Finance continues to deny this item. The Agency was unable to

provide any documentation to support the amount claimed. To the extent the Agency can provide proper documentation, such as an executed contract, third party estimates, or bid documents, to support the six-month estimated expenditure, Bond Proceeds funding may be approved on future ROPS. Therefore, this item is not an enforceable obligation and is not eligible for Bond Proceeds funding on this ROPS.

- Item Nos. 150 through 153 and 155 through 161 – Various Pass-Through payments totaling \$755,845 are not enforceable obligations. The Agency provided correspondence with the Rialto Unified School District, which stated the demand for recalculated pass-through payments was based, in part, on the Los Angeles Unified School District v. County of Los Angeles court decision. The correspondence also indicated that all other taxing entities receiving these payments should be a party to a settlement agreement. 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.
- Item No. 154 – Structure Demolition costs in the amount of \$7,500. It is our understanding the Oversight Board (OB) approved an additional \$7,500 for the demolition and removal of hazardous materials from two properties owned by the Agency through Resolution No. OB 14-04. However, Finance denied OB Resolution OB 14-04 because the properties were misidentified in both the resolution and the contract for demolition and removal of hazardous materials. To the extent the Agency can provide a corrected resolution and contract, to support the requested funding, the Agency may be able to obtain funding on future ROPS. Therefore, this item is not eligible for Other Funds on this ROPS.
- Item No. 162 – Alder Alignment Project in the amount of \$1,000,000, funded by Bond Proceeds. The Agency was unable to provide any documentation to support the amount claimed. To the extent the Agency can provide proper documentation, such as an executed contract, third party estimates, or bid documents, to support the six-month estimated expenditure, Bond Proceeds funding may be approved on future ROPS. Therefore, this item is not an enforceable obligation and is not eligible for Bond Proceeds funding on this ROPS.

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 (I) (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 Reserve Balances and Other Funds totaling \$934,526.

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

- Item No. 3 – 2003 Series A, Tax Allocation Bonds in the amount of \$30,544,475. The Agency requests \$1,078,122 from RPTTF; however Finance is reclassifying \$259,463 to Reserve Balances and \$675,063 to Other Funds. 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 a total of \$934,526 in available Reserve Balances and Other Funds. Therefore, Finance is approving RPTTF in the amount of

\$143,596 and the use of Reserve Balances in the amount of \$259,463, and the use of Other Funds in the amount of \$675,063, totaling \$1,078,122.

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 item 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 \$4,472,139 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	7,310,514
Total RPTTF requested for administrative obligations	219,315
Total RPTTF requested for obligations	\$ 7,529,829
Total RPTTF requested for non-administrative obligations	7,310,514
<u>Denied Items</u>	
Item No. 84	(1,300,000)
Item No. 150	(225,805)
Item No. 151	(1,470)
Item No. 152	(61,150)
Item No. 153	(12,171)
Item No. 155	(36,271)
Item No. 156	(9,461)
Item No. 157	(382,967)
Item No. 158	(786)
Item No. 159	(330)
Item No. 160	(19,970)
Item No. 161	(5,464)
	(2,055,845)
Total RPTTF for non-administrative obligations	5,254,669
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 3	(934,526)
	(934,526)
Total RPTTF authorized for non-administrative obligations	\$ 4,320,143
Total RPTTF requested for administrative obligations	219,315
Total RPTTF authorized for obligations	\$ 4,539,458
ROPS 13-14A prior period adjustment	(67,319)
Total RPTTF approved for distribution	\$ 4,472,139

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 fund 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 fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund 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: Mr. Robb Steel, Assitant to the City Administrator/Development Services Director, City of Rialto
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office