



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 8, 2014. 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 Finance on February 26, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 8, 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 April 22, 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. 84 – 2004 Housing HELP Loan in the amount of \$1,300,000 is not an enforceable obligation. Finance continues to deny this item for Redevelopment Property Tax Trust Fund (RPTTF); however, Finance is approving this item for Excess Bond Proceeds funding. 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 were 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 RPTTF funding.

During the Meet and Confer process, the Agency requested that the funding source for this item be changed to 2008 Series B Bond Proceeds. The Agency provided a letter from their bond counsel indicating that expenditure on this item would be an eligible use of the Bond Proceeds. Additionally, the Agency received a Finding of Completion on May 9, 2013, which allows successor agencies to utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants

per HSC section 34191.4 (c). Therefore, this item is an eligible excess bond proceeds obligation and Finance is changing the funding source for this item to Excess Bond Proceeds. We note that within the upcoming ROPS period, we anticipate that the Agency will enter into an oversight-board approved agreement with the Rialto Housing Authority pursuant to HSC section 34180 (h) for the use of excess bonds.

- Item No. 150 – Rialto Unified School District Pass-Through Payment totaling \$225,805 is not an enforceable obligation. Finance continues to deny this item. 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 (LAUSD) 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, Finance denied the item as the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. During the Meet and Confer process, the Agency contended the demand letter from the Rialto Unified School District for underfunded AB 1290 pass throughs is an enforceable obligation. However, as previously stated, this demand is based on a LAUSD court decision and the Agency was not a named party. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 154 – Structure Demolition costs in the amount of \$7,500. Finance continues to deny this item. 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. During the Meet and Confer process, the Agency stated a revised OB resolution would be submitted correcting the identification of the properties. However, the costs associated with demolition and removal of hazardous materials is not an enforceable obligation because these are improvements to properties and are beyond routine maintenance and repairs that would be associated with maintaining the property in the current condition. Since the Agency's Long-Range Property Management Plan (LRPMP) has not been reviewed or approved, Finance has not determined if these proposed costs will be allowable. Additionally, the Agency did not provide any other documents showing the requested work is required pursuant to an enforceable obligation existing prior to June 28, 2011. Therefore, this item is not an enforceable obligation and not eligible for Other Funds. Once the Agency's LRPMP has been approved by Finance, the Agency should request RPTTF funding on a ROPS to implement the LRPMP.

In addition, per Finance's letter dated April 8, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- 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. 151 through 153 and 155 through 161 – Various Pass-Through payments totaling \$530,040 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. 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 (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 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 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. 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. 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)
	(755,845)
Total RPTTF for non-administrative obligations	6,554,669
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 84	(1,300,000)
Item No. 3	(934,526)
	(2,234,526)
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

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: 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