DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 11, 2012

Vanessa Martinez, Assistant Finance Director
City of Adelanto
11600 Air Expressway
Adelanto, CA 92301

Dear Ms. Martinez:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Adelanto (City) Successor Agency submitted two Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 2, 2012 for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS:

- Page 1, item 6 – Tax increment loan with the County of San Bernardino (County) in the amount of $19.6 million. The City did not provide supporting documents to show that this is an EO.

- Page 1, Item 8 – Note payable to the City for original formation costs in the amount of $2.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into with the first two years of the date of the creation of the RDA. This note was entered into on September 24, 2003 and the RDA was created in 1976.

- Page 1, items 13 and 14 – 20-percent set-asides totaling $15.2 million. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.

July through December 2012 ROPS:

- Page 1, item 6 – Tax increment loan with the County in the amount of $19.6 million. The City did not provide documents to show that this is an EO.

- Page 1, Item 8 – Note payable to the City for original formation costs in the amount of $2.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or

arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. This note was entered into on September 24, 2003 and the RDA was created in 1976.

- Page 1, items 14 and 15 – 20-percent set-asides totaling $15.1 million. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Larry Walker, Auditor Controller, County of San Bernardino
Ms. Vanessa Doyle, Property Tax Manager, County of San Bernardino
Ms. Linda Santillano, Supervising Accountant, County of San Bernardino
Ms. Franz Zyss, Accountant III, County of San Bernardino