DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 27, 2012

Ms. Teri Baker, Director of Administrative Services
City of San Bernardino
201 North E Street, Suite 301
San Bernardino, CA 92401

Dear Ms. Baker:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Bernardino Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 16, 2012 submitted for the period January through June 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:

- Various contracts totaling $11 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for the following line items have not been awarded or were awarded after June 27, 2011:

Item Number	Page Number	Project	Amount
13	5	Regal Cinema	$4,643,000
37	5	Northwest Street Improvements	2,700,000
42	5	Mt Vernon Street Improvements	1,170,000
44	5	State Agreement for Courthouse for Street Improvements	2,500,000
		Total	$11,013,000

- Various contracts totaling $24.8 million. The contracts/agreements were not with the City of San Bernardino Redevelopment Agency (RDA) and are therefore not EOs.

Item Number	Page Number	Project	Amount
2	4	Arden Gurtrie Section 108	$10,325,497
2	5	Streetscape-4th St, Phase 1	2,500,000
12	5	Construction of Theater Square Infrastructure	2,833,097
104	5	EDA Sponsored Production	2,163,900
118	5	Downtown Transit Center - Rialto & E	3,500,000
119	5	SBx/ Omnitrans Bus Line	3,500,000
		Total	$24,822,495

- Various contracts between the RDA and San Bernardino Economic Development Corporation (SBEDC) and between the RDA and Affordable Housing Solutions (AHS) totaling $834 million. Although formed as separate legal entities, the RDA, SBEDC and AHS are principle decisions makers (i.e. the management and staff are the same individuals, functioning as both contractor and client resulting in the lack of arm's-length transactions). Therefore, we question the validity of the following contracts.

Item Number	Page Number	Project	Amount
1	5	Capital Project Funding Agreement	$452,188,305
2	7	Affordable Housing Solutions	2,000,000
5	7	Affordable Housing Solutions	1,000,000
17	7	Affordable Housing Solutions	4,000,000
20	7	Affordable Housing Solutions	375,000,000
		Total	$834,188,305

- Administrative cost claimed exceeds allowance by $4.2 million. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. The administrative expenses calculation is shown in Attachment A.

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.

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

Sincerely,

Mark Hill

MARK HILL
Program Budget Manager

Attachment

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
Mr. Franz Zyss, Accountant III, County of San Bernardino

Attachment A

Administrative Cost Calculation
For the Period January – June 2012

Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
1	2	1995H Highland Lutheran Hsing	RPPTF	$48,419
2	2	1995R Casa Ramona	RPPTF	$44,100
3	2	1996COP	RPPTF	$763,258
4	2	1997A Bond	RPPTF	$43,875
5	2	1998A TAB	RPPTF	$279,738
6	2	1998B TAB	RPPTF	$148,016
7	2	1999COP	RPPTF	$286,000
8	2	2002A TAB	RPPTF	$92,344
9	2	2002 TAB	RPPTF	$1,824,028
10	2	2005A TAB	RPPTF	$1,225,448
11	2	2005B TAB	RPTTF	$460,208
13	2	2006 LM Bond Issue	RPTTF	$4,139,412
14	2	2010A Recovery Zone	RPTTF	$443,725
15	2	2010B TAB	RPTTF	$270,075
16	2	CMB $15,000,000	RPTTF	$590,625
17	2	CMB $10,000,000	RPTTF	$393,750
18	2	CMB $8,000,000	RPTTF	$315,000
1	4	Cinema Section108	RPTTF	$134,675
2*	4	Arden Guthrie Section 108	RPTTF	$196,531
3	4	Arden Guthrie Loan	RPTTF	$11,000,000
4	4	Carousel Mall Note	RPTTF	$16,473,888
5	4	Auto Plaza Loan - Reader Board	RPTTF	$850,000
5	5	SdX Bus Transfer Center	RPTTF	$17,344
13*	5	Regal Cinema	RPTTF	$4,643,000
14	5	Regal Cinema	RPTTF	$150,000
15	5	Construction of Theater Square Infrastructure	RPTTF	$45,764
16	5	Theater Square	RPTTF	$60,000
17	5	Theater Square	RPTTF	$4,500
21	5	Theater Square	RPTTF	$6,000
22	5	Theater Square	RPTTF	$9,975
23	5	Construction of Theater Square Infrastructure	RPTTF	$838
24	5	HVAC System - Theater Square	RPTTF	$357,000
25	5	Theater Square - Roof	RPTTF	$24,750
26	5	Theater Square - Signage	RPTTF	$1,200
27	5	Theater Square - Demo	RPTTF	$43,640
28	5	Theater Square - utility room	RPTTF	$32,000
31	5	Cinema Property	RPTTF	$7,405

Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
32	5	Cinema Property	RPTTF	$50,000
33	5	Cinema Property	RPTTF	$30,000
34	5	Cinema Property	RPTTF	$30,000
35	5	Yavitz Sale & Purchase Agreement	RPTTF	$11,407
39	5	Commercial/Retail Marketing	RPTTF	$23,794
40	5	Commercial/Retail Marketing	RPTTF	$2,779
45	6	INCO - 5th and H St	RPTTF	$8,000
46	5	Soil Remediation - Phase II	RPTTF	$70,000
47	5	2nd Street Improvements	RPTTF	$906,423
48	5	Stadium - Parking Lot	RPTTF	$49,950
49	5	Stadium - Irrigation	RPTTF	$49,864
50	5	Stadium - Lighting	RPTTF	$20,736
51	5	Stadium - Turf	RPTTF	$11,683
52	5	Stadium - Parking Lot	RPTTF	$317,285
53	5	Ann Shirells Park	RPTTF	$257,654
54	5	Ann Shirells Park	RPTTF	$5,500
55	5	Ann Shirells Park	RPTTF	$49,959
56	5	F Street Parking Lot	RPTTF	$8,118
57	5	F Street Parking Lot	RPTTF	$10,775
58	5	Andreson Bldg	RPTTF	$30,820
59	5	Carousel Mall	RPTTF	$48,650
60	5	Carousel Mall	RPTTF	$46,285
61	5	Carousel Mall -Hazardous Waste Removal	RPTTF	$5,000
63	5	Grant Obligation - Sustainable Communities Grant (SCG)	RPTTF	$10,349
64	5	Grant Obligation - Sustainable Communities Grant (SCG)	RPTTF	$4,500
65	5	Grant Obligation - Sustainable Communities Grant (SCG)	RPTTF	$6,000
66	5	Grant Obligation - CPUC CASF - Broadband	RPTTF	$12,000
67	5	Grant Obligation - CPUC CASF - Broadband	RPTTF	$4,500
68	5	Merged Area B-EIR	RPTTF	$25,000
69	5	Merged Area B-Plan Amendment	RPTTF	$25,000
70	5	Streetscape 4th St Phase 1	RPTTF	$35,000
76	5	ARCO Offsite Improvements	RPTTF	$110,000
77	5	Sewer Relocation	RPTTF	$126,484
78	5	Facade Grants	RPTTF	$10,000
79	5	Facade Grants	RPTTF	$10,000
80	5	Facade Grants	RPTTF	$4,750
81	5	Facade Grants	RPTTF	$10,000
82	5	Facade Grants	RPTTF	$9,580
83	5	Facade Grants	RPTTF	$7,512

Line item	Page	Project Name/Debt Obligation	Payment Source	Amount
86	5	Grant obligation-Transportation Overlay	RPTTF	$59,000
87	5	Grant Obligation-Green Trees for the Golden State	RPTTF	$15,000
103	5	California Theatre	RPTTF	$401,696
104*	5	EDA Sponsored Production	RPTTF	$963,900
105	5	Sturges Theatre	RPTTF	$297,030
106	5	Hillwood DDA/OPA	RPTTF	$676,692
107	5	8P CA-Site Remediation	RPTTF	$95,000
108	5	Young Electric Sign Co.	RPTTF	$36,000
109	5	Perris Campus Plaza	RPTTF	$45,609
110	5	SB County Bldg - TADS	RPTTF	$51,615
111	5	Yellow Freight DDA	RPTTF	$160,000
112	5	Mapel	RPTTF	$10,800
113	5	Lilbum and Associates EIR	RPTTF	$70,000
115	5	Woolworth Bld	RPTTF	$15,022
116	5	Salvation Army	RPTTF	$250,000
117	5	Mall Maintenance	RPTTF	$450,000
118*	5	Downtown Transit Center - Rialto & E	RPTTF	$250,000
119*	5	SBx/ Omnitrans Bus Line	RPTTF	$600,000
120	5	Fairview Ford Site	RPTTF	$4,020
			Total RPTTF Claimed:	$52,333,268
			Less Disallowed RPTTF Amounts (see line items with asterisk above):	6,653,431
			Admin Allowance (Greater **of 5% or $250,000) :**	**$2,283,992**

Line Items Considered Administrative Costs				
Line item	**Page**	**Project Name/Debt Obligation**	**Payment Source**	**Amount**
1	8	Salary	RPTTF	$2,662,616
3	8	Employee Accrual Payouts	RPTTF	$456,637
4	8	Other Post Employment Benefit	RPTTF	$19,110
5	8	5% SA Administration	Admin Cost Allowance	$1,900,000
6	8	Computer Options	RPTTF	$36,000
7	8	Foreclosure Litigation	RPTTF	$100,000
9	8	Laserfiche	RPTTF	$1,870
10	8	Legal Representation for Litigation	RPTTF	$25,000
11	8	Legal Representation for Litigation	RPTTF	$50,000
12	8	Legal Representation for Litigation	RPTTF	$3,000
13	8	GIS Licensed Software	RPTTF	$25,433
14	8	Financial Software	RPTTF	$67,600
15	8	Financial Software	RPTTF	$6,600
16	8	Investment Funds Fee	RPTTF	$84,000
18	8	Baseball Stadium Maintenance	RPTTF	$66,441
19	8	California Theatre Maintenance	RPTTF	$150,000
20	8	Sturges Theatre	RPTTF	$60,000
21	8	Cinema Property Theatre	RPTTF	$490,000
22	8	Maintenance	RPTTF	$230,583
23	8	Golf Course Ground Lease	RPTTF	$50,000
			Total:	$6,484,890
			Admin Allowance:	2,283,992
			Total Disallowed Administrative Cost:	**$4,200,898**

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