



November 14, 2013

Ms. Lisa Strong, Management Services Director  
City of Fontana  
8353 Sierra Avenue  
Fontana, CA 92335

Dear Ms. Strong:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fontana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 30, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 Nos. 1, 14, 17, 18, 22, 26, 30, 33 and 36 – Various Tax Allocation Revenue Bonds and Tax Allocation Refunding Bonds totaling \$4,501,201. The Agency requested a total of \$12,207,259 for Redevelopment Property Tax Trust Fund (RPTTF) funding, however, the total amount due during ROPS 13-14B is \$7,706,058. HSC section 34171 (d) (1) (A) allows agencies to hold a reserve for debt service payments when required by the bond indenture, or when the next property tax allocation will be insufficient to pay all obligation due for the next payment due in the following half of the calendar year. Based on our review of the bond indentures, we did not note any requirement to create such a reserve. Additionally, based on the history of the Agency's RPTTF distribution, it is our understating the next property tax allocation will be sufficient to fund debt service payments when due for these bonds. Therefore, the requested RPTTF funding has been reduced by \$4,501,201 (\$12,207,259-\$7,706,058) as follows:
  - Item No. 1 – 2000 Tax Allocation Refunding Bonds-\$301,785
  - Item No. 14 – 2001 Tax Allocation Revenue Bonds Series A-\$1,358,844
  - Item No. 17 – 2003 Tax Allocation Revenue Bonds Series A-\$14,849.
  - Item No. 18 – 2003 Tax Allocation Revenue Bonds Series B-\$12,330.
  - Item No. 22 – 2005 Subordinate Tax Allocation Bonds Series A-\$1,416,700.
  - Item No. 26 – 2004 Tax Allocation Bonds-\$155,855.
  - Item No. 30 – 2007 Tax Allocation Bonds-\$409,000.
  - Item No. 33 – 1998 Tax Allocation Refunding Bonds-\$606,720.
  - Item No. 36 – 2003 Subordinate Tax Allocation Bonds-\$225,118.

- The Agency's claimed administrative costs exceed the allowance by \$135,036. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Bernardino County Auditor Controller's Office distributed \$846,899 administrative costs for the July through December 2013 period, thus leaving a balance of \$494,344 available for the January through June 2014 period. Although \$629,380 was claimed for administrative cost, only \$494,344 is available pursuant to the cap. Therefore, \$135,036 excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to 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 Other Funds totaling \$5,594,936.

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

- Item No. 51 – Owner Participation Agreement with Ten Ninety Ltd. In the amount of \$5,100,592. The Agency requested \$6,000,000 million of RPTTF; however Finance is reclassifying \$5,100,592 to Other Funds. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, because the Agency has \$5,594,936 in Other Funds, Finance is approving RPTTF in the amount of \$899,408 and the use of Other Funds in the amount of \$5,100,592 for Item No. 51.
- Item No. 68 – Administrative Costs in the amount of \$494,344. The Agency is allowed \$494,344 in administrative costs for the ROPS 13-14B period. However, because the Agency has \$494,344 in Other Funds, Finance is reclassifying \$494,344 in administrative costs to Other Funds for Item No. 68.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the 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 below table 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 items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$10,879,852 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	20,979,330
Total RPTTF requested for administrative obligations	629,380
<b>Total RPTTF requested for obligations</b>	<b>\$ 21,608,710</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>20,979,330</b>
<u>Denied Items</u>	
Item No. 1	(301,785)
Item No. 14	(1,358,844)
Item No. 17	(14,849)
Item No. 18	(12,330)
Item No. 22	(1,416,700)
Item No. 26	(155,855)
Item No. 30	(409,000)
Item No. 33	(606,720)
Item No. 36	(225,118)
	(4,501,201)
<b>Total RPTTF before reclassification</b>	<b>16,478,129</b>
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 51	(5,100,592)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>11,377,537</b>
<b>Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)</b>	<b>494,344</b>
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 68	494,344
	494,344
<b>Total RPTTF approved for administrative obligations</b>	<b>-</b>
<b>Total RPTTF approved for obligations</b>	<b>11,377,537</b>
ROPS III prior period adjustment	(497,685)
<b>Total RPTTF approved for distribution</b>	<b>\$ 10,879,852</b>
<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 13-14A (July through December 2013)	28,229,967
Total RPTTF for 13-14B (January through June 2014)	16,478,129
Less approved unfunded obligations from prior periods	-
<b>Total RPTTF for fiscal year 2013-14</b>	<b>44,708,096</b>
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	1,341,243
Administrative allowance for 13-14A (July through December 2013)	846,899
<b>Allowable RPTTF distribution for administrative cost for ROPS 13-14B</b>	<b>494,344</b>

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).



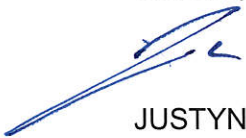
Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this 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 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 Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County  
California State Controller's Office