



October 19, 2012

Ms. Lisa Strong, Deputy City Treasurer
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 III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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:

- Item Nos. 44 through 50 – Tax Sharing payments totaling \$3.9 million. HSC section 34183.5 (1) states if the former Redevelopment Agency did not make payments to an affected taxing entity pursuant to any pass-through agreement, the county auditor-controller shall make the required payments to the taxing entities owed pass-through payments and shall reduce amounts to which the successor agency would otherwise be entitled. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 54 – Young Contractors, Inc. contract retention in the amount of \$250,000. This is a contract between the City of Fontana and Young Contractors, not the former redevelopment agency and Young Contractors. Because the City is ultimately responsible for payment of these contracts, these items are not enforceable obligations of the Agency and not entitled to RPTTF funding.
- Item Nos. 61 through 64 – San Bernardino Association of Governments (SANBAG) contracts and retention payments totaling \$18.1 million. These are contracts between the City of Fontana, the County of San Bernardino and SANBAG. Because the City is ultimately responsible for payment of these contracts, these items are not enforceable obligations of the Agency.
- Administrative costs claimed exceed the allowance by \$285,940. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is

\$1,369,924. The Agency claimed \$789,177 of this total during the July through December 2012 ROPS, leaving \$580,747 unclaimed. Therefore, \$285,940 of the claimed \$866,687 is not an enforceable obligation. See the Administrative Cost calculation table below.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$19,939,010 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 28,889,553
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 44	153,627
Item 45	1,652,397
Item 46	921,235
Item 47	853,577
Item 48	21,600
Item 49	218,076
Item 50	60,779
Item 54	250,000
Item 61	2,000,000
Item 62	200,000
Item 63	3,000,000
Item 64	200,000
Total approved RPTTF for enforceable obligations	\$ 19,358,262
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	580,747
Total RPTTF approved:	\$ 19,939,010

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 26,305,887
Total RPTTF for the period January through June 2013	19,358,262
Total RPTTF for fiscal year 2012-13:	\$ 45,664,149
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	1,369,924
Administrative allowance for the period of July through December 2012	789,177
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 580,747

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past

estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana
Ms. Vanessa Doyle, Property Tax Manager, County of San Bernardino