



April 14, 2017

Mr. Mark Scott, City Manager
City of San Bernardino
300 North D Street, 6th Floor
San Bernardino, CA 94218

Dear Mr. Scott:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino City Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on February 1, 2017. Finance has completed its review of the ROPS 17-18.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 9 – 2005B Tax Allocation Bonds in the requested amount of \$1,901,496 have been adjusted. Based on a review of the debt service payment schedule, and Agency confirmation, the \$1,901,496 requested for the annual period should be \$1,903,151, an increase in the amount of \$1,655. As a result, and at the Agency's request, Finance is increasing this request to \$1,903,151 (\$1,901,496 + \$1,655) in Redevelopment Property Tax Trust Funds (RPTTF) funding for this item.
- Item No. 115 – Third Party Related Litigation in the amount of \$171,215 is partially allowed. It is our understanding this item relates to expected litigation expenses such as Attorney Fees pertaining to the pending third-party litigation in Los Angeles Superior Court Case involving Placo San Bernardino, LLC, the Agency, the City, and related parties. The Agency stated these are estimates and did not provide sufficient documentation to support the full amount requested. The funding allowed was limited to \$17,000, which would be the Agency's share of the \$50,000 identified in the Professional Services Agreement for Attorney Fees. Therefore, of the requested \$171,215, the excess of \$154,215 (\$171,215 – \$17,000) is not eligible for RPTTF funding. To the extent the Agency can provide sufficient documentation to support the Agency as fully financially responsible for this obligation, this item may be considered on a future ROPS.
- Item No. 130 – Long-Range Property Management Plan (LRPMP) Implementation in the total requested amount of \$250,000 is partially allowed. Finance approved the Agency's LRPMP on December 31, 2015. A portion of the requested funding for this item, in the amount of \$63,000, relates to LRPMP Property Nos. 24 and 26. However, Finance approved those properties for transfer to the City as future development, and those costs are now the responsibility of the City.

Additionally, the Agency included an estimated \$66,000 for supplemental vendor services, such as economic analyses, environmental studies (phase 1 reports) and other 'miscellaneous third-party specialty vendors, as may be needed'. However, the Agency was unable to provide contracts or proposals to support these supplemental vendor services as necessary. Therefore, \$121,000 (\$250,000 - \$63,000 - \$66,000) is approved for Agency-owned properties, and the difference, \$129,000 (\$250,000 - \$121,000) is not eligible for RPTTF funding.

- Item No. 133 – Judgement or Settlement Obligation Related to the Placo Lawsuit in the total outstanding obligation amount of \$1 is not allowed at this time. It is our understanding the Agency is requesting this item as a placeholder to the extent that an obligation for payment is established by or through the Los Angeles Superior Court in which such payment will be specified on a future ROPS or an amended ROPS.

This pertains to the Los Angeles Superior Court Case Nos. BC465755 and BC468955 involving Placo San Bernardino, LLC, the Agency, the City and related parties. However, a judgment or settlement regarding this item has not yet been reached, and the Agency was unable to provide documentation to support the amount requested. Therefore, this item is not an enforceable obligation and the total requested amount of \$1 is not eligible for RPTTF funding at this time. To the extent the Agency can provide documentation, such as an executed settlement agreement to support the requested funding, the item may be considered on a future ROPS.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's previous or related determinations, the Agency 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 on Finance's website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$18,334,954 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period), and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on

ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

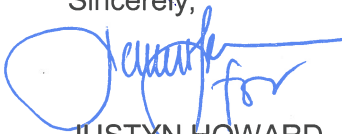
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Medy Lamorena, Lead Analyst, at (916) 322-2985.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard', with a large circular flourish on the left side.

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Lisa Connor, Project Manager, San Bernardino City
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 13,899,966	\$ 4,225,932	\$ 18,125,898
Administrative RPTTF Requested	358,659	131,958	490,617
Total RPTTF Requested	14,258,625	4,357,890	18,616,515
RPTTF Requested	13,899,966	4,225,932	18,125,898
<u>Adjustments</u>			
Item No. 9	1,455	200	1,655
Item No. 115	(68,607)	(85,608)	(154,215)
Item No. 130	(64,500)	(64,500)	(129,000)
Item No. 133	0	(1)	(1)
	(131,652)	(149,909)	(281,561)
RPTTF Authorized	13,768,314	4,076,023	17,844,337
Administrative RPTTF Authorized	358,659	131,958	490,617
Total RPTTF Approved for Distribution	\$ 14,126,973	\$ 4,207,981	\$ 18,334,954