



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the San Bernardino City Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on February 1, 2017. Subsequently, the Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on May 3, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed:

- Item No. 115 – Third Party Related Litigation in the amount of \$171,215. Finance no longer denies this item. It is our understanding this item relates to expected litigation expenses such as Attorney Fees pertaining to the pending third-party litigation in the Los Angeles Superior Court Case involving Placo San Bernardino, LLC, the Agency, the City of San Bernardino (City), and related parties. Finance originally denied this item because the Agency did not provide documentation to support the full amount requested.

During the Meet and Confer, the Agency provided an Agreement for Assignment of Contract, which holds the Agency responsible for these litigation costs. Additionally, invoices were provided from a prior period of time when the case was actively litigated and these invoices supported the estimated costs and amount requested. Based on the additional information provided during the Meet and Confer, the requested amount of \$171,215 is approved for Redevelopment Property Tax Trust (RPTTF) funding.

It is our understanding the \$171,215 requested in RPTTF for litigation costs shall only be expensed in connection with the defense of the Agency and Panattoni, for whom the Agency is also responsible.

- Item No. 130 – Long-Range Property Management Plan (LRPMP) Implementation in the total requested amount of \$250,000. Finance continues to partially approve this item.

Finance partially approved this item because funding requested included \$63,000 for properties approved for transfer to the City for future development and contracts for supplemental vendor services in the amount of \$66,000 were not provided. Finance approved the Agency's LRPMP on December 31, 2015.

During the Meet and Confer, the Agency provided a revised estimated budget for property disposition costs that included properties for sale in the amount of \$187,500; and excluded properties approved for transfer to the City for future development. As such, of the \$250,000 originally requested, \$62,500 ($\$250,000 - \$187,500$) is ineligible for RPTTF funding. Therefore, Finance is approving \$187,500 in RPTTF funding for the ROPS 17-18 period.

- Item No. 133 – Judgement or Settlement Obligation Related to the Placo Lawsuit in the requested amount of \$1 has been adjusted to zero. 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 an amended or future 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. Finance initially denied this item because 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, the total requested amount of \$1 is not eligible for RPTTF funding at this time. Once judgments or settlements have been executed in accordance with HSC section 34171 (d) (1) (D), they will become an enforceable obligation and eligible for funding on a future ROPS.

In addition, per Finance's letter dated April 14, 2017, we continue to make the following determination not contested by the Agency during the Meet and Confer:

- 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 RPTTF funding for this item.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency's maximum approved RPTTF distribution for the reporting period is \$18,555,669 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.

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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.

This is Finance's final 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:

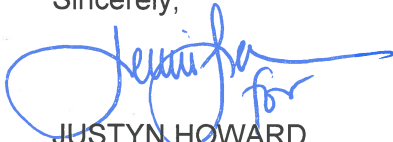
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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 Anna Kyumba, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

Sincerely,



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. 130	0	(62,500)	(62,500)
Item No. 130	0	(1)	(1)
	1,455	(62,301)	(60,846)
RPTTF Authorized	13,901,421	4,163,631	18,065,052
Administrative RPTTF Authorized	358,659	131,958	490,617
Total RPTTF Approved for Distribution	\$ 14,260,080	\$ 4,295,589	\$ 18,555,669