



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 11, 2014

Ms. Cynthia A. Fortune, Finance Manager
City of Grand Terrace
22795 Barton Road
Grand Terrace, CA 92313

Dear Ms. Fortune:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grand Terrace Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 No. 8 – Property Appraisal services in the amount of \$100,000. The Agency provided insufficient documentation to support the amounts claimed. The Agency provided an agreement for consultant services with Kosmont & Associates, Inc. dated August 13, 2013; this agreement does not agree with the payee listed on the ROPS. Additionally, the agreement states the Agency shall pay for the services provided and the fees for services shall not exceed the \$12,000. The Agency was approved for \$10,000 on the January through June 2013 ROPS. To the extent the Agency can provide suitable documentation, such as the executed contract between the Agency and Property Appraisers, or vendor invoices, to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funding on future ROPS. Therefore, this item is not an enforceable obligation and is not eligible for funding on this ROPS.
- Item No. 9 – Weed Abatement services in the amount of \$100,000. The professional consultant services agreement between the former redevelopment agency (RDA) and Ace Weed Abatement, Inc. dated April 12, 2011 terminates on June 30, 2014. The Agency still has authority to expend funds approved in ROPS 13-14B through June 30, 2014. Therefore, this item is not eligible for RPTTF funding.
- Item Nos. 10 through 12 – Various professional and property maintenance services totaling \$308,500. To date, Finance has not received any documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such

as an executed contract, or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

- Item No. 40 – Michigan Street Improvements Project in the amount of \$480,000, funded by Bond Proceeds. This item was denied as an inclusion to the ROPS for the period January through June 2013, July through December 2013, and January through June 2014, later upheld through the Meet and Confer letters dated December 18, 2012, May 17, 2013, and December 17, 2013. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011.

It is also our understanding these bonds were issued after December 31, 2010. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

- Item No. 48 – San Bernardino Community College District (SBCCD) Pass-Through Payments in the amount of \$19,143. The Agency provided demand letters from SBCCD that requested payments of underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.
- Item No. 49 – Housing Successor Entity Administrative Allowance in the amount of \$600,000 is not allowed. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Grand Terrace (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, \$600,000 of housing entity administrative allowance is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below 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 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is \$1,077,933 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,209,133
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations	\$ 1,409,133
Total RPTTF requested for non-administrative obligations	1,209,133
<u>Denied Items</u>	
Item No. 8	(10,000)
Item No. 9	(10,000)
Item No. 10	(3,500)
Item No. 11	(3,000)
Item No. 12	(10,000)
Item No. 48	(19,143)
	(55,643)
Total RPTTF for non-administrative obligations	1,153,490
Total RPTTF authorized for non-administrative obligations	\$ 1,153,490
Total RPTTF requested for administrative obligations	200,000
<u>Denied Item</u>	
Item No. 49	(75,000)
	(75,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,278,490
ROPS 13-14A prior period adjustment	(200,557)
Total RPTTF approved for distribution	\$ 1,077,933

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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

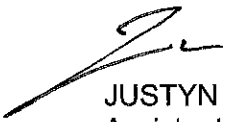
Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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 Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Ken Henderson, Interim City Manager, City of Grand Terrace
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office