

December 17, 2013

Mr. Rob Burns, Director of Finance  
City of Chino  
13220 Central Avenue  
Chino, CA 91710

Dear Mr. Burns:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chino Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 25, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 6, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 21, 2013.

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

- Item No. 54 – Administrative Allowance for the January through June 2012 period (ROPS I) period in the amount of \$250,000. Finance no longer denies this item. During the ROPS I period, the Agency submitted an administrative budget separate from the ROPS causing the administrative costs to not be reviewed and subsequently not be approved for Redevelopment Property Tax Trust Funds (RPTTF). Per HSC section 34171 (b), the Agency is permitted an administrative cost allowance for the January 1 through June 30, 2012 period up to five percent of the property tax allocated to the former Redevelopment Agency during the ROPS I period or \$250,000, whichever is greater. Our review indicates that the Agency incurred \$282,312 for administrative costs during the ROPS I period. We have also confirmed this amount was not accounted for through the ROPS I prior period adjustments made in accordance with HSC section 34186 (a) or through either of the Due Diligence Reviews conducted in accordance with HSC section 34191.5. Therefore, the Agency will be permitted \$250,000 for administrative costs incurred during the ROPS I period.

In addition, per Finance's letter dated November 6, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 53 and 55 – Arbitrage Reports and Project Management costs totaling \$22,345. These line items were approved on the January through June 2013 ROPS (ROPS III). However, the actual expenditures for these items were \$22,345 more than the approved amounts, and the Agency paid the entire amount due from Reserve Funds. Therefore, these items are not unfunded, and do not qualify for Redevelopment Property Tax Trust Fund (RPTTF) funding.

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, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,948,624 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	2,093,512
Total RPTTF requested for administrative obligations	92,500
<b>Total RPTTF requested for obligations</b>	<b>\$ 2,186,012</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,093,512</b>
<b>Denied Items</b>	
Item No. 53	(21,672)
Item No. 55	(673)
	(22,345)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>2,071,167</b>
<b>Total RPTTF approved for administrative obligations</b>	<b>92,500</b>
<b>Total RPTTF approved for obligations</b>	<b>2,163,667</b>
ROPS III prior period adjustment	(215,043)
<b>Total RPTTF approved for distribution</b>	<b>\$ 1,948,624</b>

Pursuant to HSC section 34177 (I) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. Based on a review of the Fund Balances form, the following adjustment was made:

- Our review indicated cash with fiscal agents balance in the amount of \$3,497,826 was not included in the bond proceeds balance as of January 1, 2013. Therefore, the beginning balance for bond proceeds as of January 1, 2013 has been increased by \$3,497,826. However, the Agency is allowed to retain this amount as reserves required by bond indentures. As a result, the ending available balance for bond proceeds as of June 30, 2013 is not affected by this adjustment.

Further, Finance was unable to reconcile the financial records to the bond proceeds balances reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B

review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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%2013-14B%20Forms%20by%20Successor%20Agency/).

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 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Nada Repajic, Management Analyst, City of Chino  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County  
California State Controller's Office