



October 24, 2014

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

Dear Mr. Burns:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Chino Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 11, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 13 – Deferred Housing Set-Aside Payment in the amount of \$1,540,721 is partially approved. The former redevelopment agency deferred payments to the Low and Moderate Income Housing Fund (LMIHF) from fiscal years 1986-87 through 1996-97 pursuant to HSC section 33334.6. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal years 2012-13 and 2013-14 are \$7,227,252 and \$8,627,617 respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2014-15 is \$700,182. Therefore, of the \$1,540,721 requested for the LMIHF repayment, \$840,539 is not allowed.

Pursuant HSC 34171 (d) (G), the repayments should be transferred to the Low and Moderate Income Housing Asset Fund and should be used in a manner consistent with the affordable housing requirements outlined in the existing statute.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserves of \$48,183 and Other Funds of \$925,191.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Reserves and Other Funds, in the amounts specified below:

- Item No. 5 – 2006 Tax Allocation Bonds Debt Service Payment. The Agency requests \$970,863 from RPTTF; however, Finance is reclassifying \$115,132 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$925,191 in available Other Funds, Finance is approving RPTTF in the amount of \$855,731 and Other Funds in the amount of \$115,132, totaling \$970,863 for this item.
- Item No. 6 – Bond Trustee Fees. The Agency requests \$12,500 from RPTTF; however, Finance is reclassifying \$12,500 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$925,191 in available Other Funds, Finance is approving the use of Other Funds in the amount of \$12,500 for this item.
- Item No. 7 – Bond Continuing Disclosure and Arbitrage Fees. The Agency requests \$3,200 from RPTTF; however, Finance is reclassifying \$3,200 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$925,191 in available Other Funds, Finance is approving the use of Other Funds in the amount of \$3,200 for this item.
- Item No. 8 – Annual Calculation of Tax Increment Revenue Limit Fees. The Agency requests \$2,000 from RPTTF; however, Finance is reclassifying \$2,000 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$925,191 in available Other Funds, Finance is approving the use of Other Funds in the amount of \$2,000 for this item.
- Item No. 12 – Richard Gird Bust Agreement Costs. The Agency requests \$2,860 from RPTTF; however, Finance is reclassifying \$2,860 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$925,191 in available Other Funds, Finance is approving the use of Other Funds in the amount of \$2,860 for this item.
- Item No. 13 – Deferred Housing Set-Aside Payment. This item is an enforceable obligation for the ROPS 14-15B period and was approved for \$700,182 in RPTTF funding. However, because the Agency has \$925,191 in available Other Funds, Finance is approving the use of Other Funds in the amount of \$700,182 for this item.
- Item No. 45 – Administrative Cost Allowance. The Agency requests \$125,000 from RPTTF; however, Finance is reclassifying \$48,183 to Reserves and \$76,817 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, because the Agency has \$48,183 in available Reserves and \$925,191 in available Other Funds, Finance is approving the use of Reserves in the amount of \$48,183 and Other Funds in the amount of \$76,817, totaling \$125,000 for this item.
- Item No. 47 – Legal Services Costs Related to Property Disposition. The Agency requests \$12,500 from RPTTF; however, Finance is reclassifying \$12,500 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However,

because the Agency has \$925,191 in available Other Funds, Finance is approving the use of Other Funds in the amount of \$12,500 for this item.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. 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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the item denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$1,439,572 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	3,151,832
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 3,276,832
Total RPTTF requested for non-administrative obligations	3,151,832
<u>Denied Item</u>	
Item No. 13	(840,539)
Total RPTTF for non-administrative obligations	2,311,293
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 5	(115,132)
Item No. 6	(12,500)
Item No. 7	(3,200)
Item No. 8	(2,000)
Item No. 12	(2,860)
Item No. 13	(700,182)
Item No. 47	(12,500)
	(848,374)
Total RPTTF authorized for non-administrative obligations	\$ 1,462,919
Total RPTTF requested for administrative obligations	125,000
<u>Cash Balances – Item reclassified to other funding sources</u>	
Item No. 45	(125,000)
Total RPTTF authorized for administrative obligations	0
Total RPTTF authorized for obligations	\$ 1,462,919
ROPS 13-14B prior period adjustment	(23,347)
Total RPTTF approved for distribution	\$ 1,439,572

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting 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