



April 6, 2017

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

Dear Mr. Burns:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Chino 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 January 25, 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. 14 – Retirement/Pension Obligations in the total outstanding obligation amount of \$10,000,000 is not an enforceable obligation. It is our understanding the retirement contract agreement entered into on March 16, 1964 is between the California Public Employees' Retirement System and the City of Chino (City); the former Redevelopment Agency (RDA) is not a party to the contract. Therefore, this line item is not enforceable obligation and the total requested amount of \$2,532,912 from Redevelopment Property Tax Trust Funds (RPTTF) is not allowed.
- Item No. 59 – Trustee Fees in the amount of \$2,000 is partially allowed. The Agency provided an invoice for \$1,000 to support this request. However, the invoice alone is insufficient to support the total requested amount. Therefore, of the total requested amount, \$1,000 is not eligible for RPTTF funding on the current ROPS. To the extent the Agency can provide documentation, such as additional invoices or a new contract, to support the requested funding, additional funding may be considered on a future ROPS.
- Item No. 61 - Modified Loan Agreements in the total outstanding obligation amount of \$15,913,597 is not an enforceable obligation. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former RDA and sponsoring entity may be placed on the ROPS if the Agency has received a Finding of Completion and the Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 1, 2014. However, Finance recently denied this item, which is a resubmittal of Item Nos. 20 through 33, Various City Promissory Notes (Notes) and Cooperation Agreements, in a determination letter dated March 8, 2017, for the following reasons:

- o Neither the Agreements nor the Notes provided that the City would contract with third parties on behalf of the RDA.
- o Several of the third-party agreements pre-date both the Agreements and the Notes; there can be no inferred intent on the City's behalf that the third party agreements were entered into on behalf of the Agency.
- o Some third party contracts were no longer available for our review, or the project scope of the third party contracts was not sufficient to support all completed work as infrastructure, therefore, Finance could not determine if the projects qualified as infrastructure projects.
- o The Agreements included administrative and salary expenses attributable to City services rendered to the RDA in the execution of the infrastructure projects; costs which are unallowable under HSC section 34191.4 (b).

As a result, the Modified Loan Agreements, as well as the previously submitted Notes and Cooperation Agreements, are not eligible for repayment under HSC section 34191.4 (b) (2) (C). Therefore, the total requested amount of \$15,913,597 is not eligible for RPTTF funding.

- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF.

Therefore, with the Agency's concurrence, Finance is approving RPTTF in the amount of \$2,528,916 and the use of the Other Funds in the amount of \$1,008,210, totaling \$3,537,126, for Item No. 5 – 2006 Tax Allocation Bonds, for the ROPS 17-18 period.

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 \$7,727,353 as summarized in the Approved RPTTF Distribution table on Page 5 (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 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 Moses Ofurio, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Nada Repajic, Management Analyst, City of Chino
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	\$ 16,339,380	\$ 10,593,692	\$ 26,933,072
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	16,464,380	10,718,692	27,183,072
RPTTF Requested	16,339,380	10,593,692	26,933,072
<u>Adjustments</u>			
Item No. 5	(1,008,210)	0	(1,008,210)
Item No. 14	(1,266,456)	(1,266,456)	(2,532,912)
Item No. 59	0	(1,000)	(1,000)
Item No. 61	(7,956,799)	(7,956,798)	(15,913,597)
	(10,231,465)	(9,224,254)	(19,455,719)
RPTTF Authorized	6,107,915	1,369,438	7,477,353
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 6,232,915	\$ 1,494,438	\$ 7,727,353