



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Chino Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 25, 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 April 20, 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. 14 – Retirement/Pension Obligations in the total outstanding obligation amount of \$10,000,000. Finance continues to deny this item. Finance initially denied this item because the contract entered into on March 16, 1964 is between the California Public Employees' Retirement System (CalPERS) and the City of Chino (City). The former Redevelopment Agency (RDA) is not a party to the contract.

During the Meet and Confer, the Agency explained the employees of the former RDA were part of the City's pension plan with CalPERS. The Agency made pension benefit payments to the City and the City included them in their payment to CalPERS. The Agency stated the unfunded pension liability at the time of dissolution of the former RDA was \$2,532,912 and that the total outstanding obligation should be adjusted down to this amount.

Finance continues to deny this funding request as the former RDA is not party to the contract and not legally obligated to continue partial funding of the City's unfunded pension liability. Therefore, this line item is not an 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 total amount of \$2,000. Finance no longer partially denies this item. During the Meet and Confer, the Agency provided additional

documentation to support the annual payment of \$2,000. The Agency originally requested \$1,000 for each the ROPS A and B periods; however, upon the Agency's request, the total amount of \$2,000 is approved in RPTTF funding for the ROPS A period.

- Item No. 61 – Modified Loan Agreements in the total outstanding obligation amount of \$15,913,597. Finance continues to deny this item. Finance initially denied this item for the following reasons:
 - Neither the Agreements nor the Notes provided the City would contract with third parties on behalf of the former RDA.
 - Since 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 former RDA.
 - 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.
 - The Agreements included administrative and salary expenses attributable to City services rendered to the former RDA in the execution of the infrastructure projects; costs which are unallowable under HSC section 34191.4 (b).

During the Meet and Confer, the Agency contends the January 3, 1989 Cooperation Agreement requires the RDA to reimburse the City for public improvements and exhibits intent for the City to enter into third party contracts on behalf of the Agency. The Agency further contends HSC section 34191.4 (b) (2) (C) does not require the Cooperation Agreement to specifically identify the third party contracts with the city or the specific time in which these contracts would need to be processed or completed. The Agency also explained some third party contracts could not be compiled due to their age, but reimbursement was being claimed because the Agency was able to provide supporting documentation related to the projects. Finally, the Agency stated it was the City's standard operating procedure to charge salaries and benefits related to project management to specific projects. These expenses were incorporated into the third party contracts and they are subject to repayment under HSC section 34191.4 (b) (2) (C).

Finance maintains its previous position for the reasons stated in the bullets above and continues to deny this item. Therefore, the total requested amount of \$15,913,597 is not eligible for RPTTF funding.

In addition, per Finance's letter dated April 6, 2017, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,728,353 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.

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/>

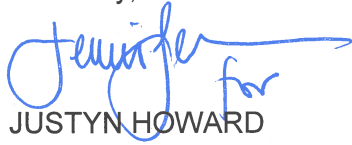
Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have 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.

Mr. Rob Burns
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Please direct inquiries to Anna Kyumba, Supervisor, or Brian Dunham, Lead Analyst, at (916) 322-2985.

Sincerely,

A handwritten signature in blue ink, appearing to read "Justyn Howard" with a stylized flourish extending to the right. The word "for" is written in smaller letters below the signature.

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	1,000	(1,000)	0
Item No. 61	(7,956,799)	(7,956,798)	(15,913,597)
	(10,230,465)	(9,224,254)	(19,454,719)
RPTTF Authorized	6,108,915	1,369,438	7,478,353
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 6,233,915	\$ 1,494,438	\$ 7,728,353