



May 17, 2013

Mr. John Andrews, Economic Development Director
City of Ontario Successor Agency
303 East B Street
Ontario, CA 91746

Dear Mr. Andrews:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ontario Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 1, 2013 for the period of July through December 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 May 2, 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. 5 – Soccer Complex/2007 Lease Revenue Bonds in the amount of \$32,955,875. Finance no longer objects to this item. This item was originally denied stating that the bonds were issued by the Ontario Redevelopment Financing Authority in 2007 and are payable from rental payments made by the City of Ontario (City). Therefore, not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding and must be approved for funding from other funding sources. During the Meet and Confer process, the Agency provided documentation including the 2001 Reimbursement Agreement which obligates the Agency for reimbursing the City from tax increment funds. Therefore, this item is considered an enforceable obligation of the Agency and eligible for RPTTF funding on the ROPS.
- Item No. 8 – MedCal Sales Location/2005 Location Agreement in the amount of \$57,201,217. Finance no longer objects to this item. This item was originally denied stating that the 2005 Location Agreement (Agreement) pledges 50 percent of the local sales tax revenue, not property tax revenue or tax increment. Finance re-reviewed the Agreement and determines that the Agreement between the former redevelopment agency (RDA) and MedCal Sales LLC is a valid agreement which identifies property tax increment as the funding source for the obligation. Therefore, this item is approved as an enforceable obligation and is eligible for RPTTF funding on the ROPS.

- Claimed administrative costs exceed the allowance by \$45,235. Finance has revised the amount of administrative costs exceeding the allowance from \$45,235 to \$2,400. HSC section 34171(b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result of the approval of Item Nos. 5 and 8, the three percent property tax allocation amount increased to \$292,835, thus reducing the costs exceeding the allowance. Therefore, only \$2,400 of excess administrative cost is not allowed.

In addition, per Finance's ROPS letter dated April 15, 2013, the following item continues to be denied and was not contested by the Agency:

- Item No. 9 – Toyota Distribution Center in the amount of \$3.65 million. The contract provided was signed in December 1993, for a term of 15 years. Article 4 of the agreement states "This agreement shall terminate and be of no further force or effect, and the obligations of each of the parties shall be null and void, upon the first to occur of:
 - (a) The expiration of the fifteenth (15th) year from the first payment of Agency Assistance as provided herein.
 - (b) Payments to Participant under this Agreement reach a total of \$2,116,345 in present value when discounted at 8% per year as determined by the Agency.
 - (c) Participant moves its operation from the Site or substantially reduces its presence on the site."

Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is \$7,117,590 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 9,841,172
Minus: Six-month total for item denied Item 9	80,000
Total approved RPTTF for enforceable obligations	\$ 9,761,172
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	292,835
Minus: ROPS II prior period adjustment	(2,936,417)
Total RPTTF approved for distribution:	\$ 7,117,590

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments)

associated with the July through December 2012 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Charity Hernandez, Redevelopment Manager, City of Ontario
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County
California State Controller's Office