



April 14, 2017

Mr. John Andrews, Economic Development Director
City of Ontario
303 East B Street
Ontario, CA 91764

Dear Mr. Andrews:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Ontario 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 31, 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:

- It is our understanding the actual expenditures were higher than authorized amounts on previous ROPS for items identified below. The Agency paid differences using other available funding sources without Finance's approval (overpayments). Therefore, the amounts requested for overpayments are no longer considered unfunded and are not allowed for funding on this ROPS. In the future, if actual payments are higher than authorized amounts on ROPS, the Agency may list the unpaid portion of enforceable obligations on a subsequent ROPS to receive proper authorization and funding.
 - Item No. 8 – MedCal Sales Location 2005 Agreement in the requested amount of \$3,175,879 is partially allowed. This item is an enforceable obligation and \$2,600,000 of the \$3,175,879 requested is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding. However, the \$575,879 (\$3,175,879 - \$2,600,000) requested to make up for the overpayment during ROPS 15-16A period is not considered unfunded and is not allowed. Therefore, Finance is approving RPTTF in the amount of \$2,600,000 for the ROPS 17- 18 period.
 - Item No. 10 – Ontario Airport Towers 2007 Owners Participation Agreement (OPA) in the requested amount of \$283,741 is partially allowed. This item is an enforceable obligation and \$250,000 of the \$283,741 requested is eligible for RPTTF funding. However, the \$33,741 (\$283,741 – \$250,000) requested to make up for the overpayment during ROPS 14-15B period is not allowed for RPTTF funding. Therefore, Finance is approving RPTTF in the amount of \$250,000 (\$283,741 – \$33,741) for the ROPS 17- 18 period.

- Item No. 29 – US Bank Administration Fees in the requested amount of \$20,057 is partially allowed. This item is an enforceable obligation and \$16,000 of the \$20,057 requested is eligible for RPTTF funding. However, the \$4,057 (\$20,057 - \$16,000) requested to make up for the overpayment during ROPS 15-16A period is not considered unfunded and is allowed for RPTTF funding. Therefore, Finance is approving RPTTF in the amount of \$16,000 (\$20,057 - \$4,057) for the ROPS 17-18 period.
- Item No. 141 – Staples Sales and Distribution Center 2009 Facility Upgrade Loan Agreement (Agreement) in the requested amount of \$1,800,000 is partially allowed. According to the Agreement, payment is capped at \$900,000 per year for this obligation. Therefore, the requested amount of \$900,000 to make up for the payment the Agency made during ROPS 14-15B, without Finance approval, is not considered unfunded and therefore is not allowed for RPTTF funding. However, the requested amount of \$900,000 for the ROPS 17-18B period is approved.
- Item No. 142 – Bank of New York Administration Fees in the requested amount of \$3,204 is not allowed. It is our understanding the Agency failed to request sufficient funding for this item during the ROPS 13-14B and 14-15B periods; however, funding requested to make up for the overpayment in the amount of \$3,204 is not allowed.

To the extent the Agency can provide documentation to demonstrate there are unfunded obligations for above items, the Agency may be eligible for funding on a subsequent ROPS.

- 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, the funding source for the following item has been reclassified from RPTTF to Other Funds in the amount specified below:
 - Item No. 1 – 1993 Tax Allocation Bonds in the amount of \$6,965,539. This item is an enforceable obligation for the ROPS 17-18 period. However, the obligation does not require payment from property tax revenues and the Agency has \$421,195 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$6,544,344 (\$6,965,539 - \$421,195) and the use of Other Funds in the amount of \$421,195, totaling \$6,965,539 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 \$14,222,254 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's 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. Finance's ROPS 17-18 cash balances review indicates the Agency has \$421,195 of Other Funds / Reserve Balances available to pay for enforceable obligations on the ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19). HSC section 34177 (l) (1) (E) requires the balances be used prior to requesting RPTTF.

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/>

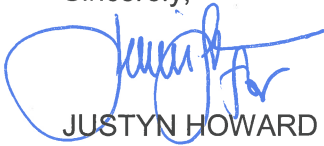
Finance's determination is effective for the ROPS 17-18 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have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

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Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Charity Hernandez, Redevelopment Manager, City of Ontario
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	\$ 9,646,415	\$ 6,051,195	\$ 15,697,610
Administrative RPTTF Requested	462,720	0	462,720
Total RPTTF Requested	10,109,135	6,051,195	16,160,330
RPTTF Requested	9,646,415	6,051,195	15,697,610
<u>Adjustment</u>			
Item No. 1	(421,195)	0	(421,195)
Item No. 8	(575,879)	0	(575,879)
Item No. 10	(33,741)	0	(33,741)
Item No. 29	(4,057)	0	(4,057)
Item No. 141	(900,000)	0	(900,000)
Item No. 142	(3,204)	0	(3,204)
	(1,938,076)	0	(1,938,076)
RPTTF Authorized	7,708,339	6,051,195	13,759,534
Administrative RPTTF Authorized	462,720	0	462,720
Total RPTTF Approved for Distribution	\$ 8,171,059	\$ 6,051,195	\$ 14,222,254