



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Ontario 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 31, 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 May 3, 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 determination being disputed:

Item Nos. 8, 10, 29, 141, and 142 – Various obligations in the total requested amounts of \$5,282,881, which \$3,766,000 was partially allowed. Finance no longer denies funding for these items. Finance originally denied these items because the Agency paid the differences between actual amounts owed versus what was authorized with Redevelopment Property Tax Trust Fund (RPTTF) distributed in other ROPS periods or authorized for different line items. Since the obligations were paid, Finance denied the request for additional funding.

During the Meet and Confer, the Agency contended payments for Item Nos. 8, 10, and 141 were not made until a subsequent ROPS period due to timing issues. This resulted in a prior period adjustment for the period in which the funding was authorized and a need for the Agency to request additional funds. In addition, a portion of the amounts requested for Item Nos. 29 and 142 was requested to fund amounts that were previously underestimated. Based on our review of additional documents and clarification provided during the Meet and Confer, the total requested amount of \$5,282,881 is approved for RPTTF funding.

In the future, if actual payments are higher than those authorized on the ROPS, the Agency should request the unpaid portion on a subsequent ROPS.

In addition, per Finance's letter dated April 14, 2017, we continue to make the following determination 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, 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$15,739,135 as summarized in the Approved RPTTF Distribution table on Page 4 (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.

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:

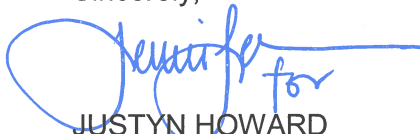
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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.

Please direct inquiries to Anna Kyumba, Supervisor, or Zuber Tejani, 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) |
| RPTTF Authorized | 9,225,220 | 6,051,195 | 15,276,415 |
| Administrative RPTTF Authorized | 462,720 | 0 | 462,720 |
| Total RPTTF Approved for Distribution | \$ 9,687,940 | \$ 6,051,195 | \$ 15,739,135 |