



November 13, 2015

Ms. Linda Daniels, Assistant City Manager
City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Dear Ms. Daniels:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Rancho Cucamonga Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 1, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 42 – Northtown Housing Development Corporation Pledge payment, in the amount of \$1,450,000 has been adjusted. The Agency was unable to provide sufficient documentation to support the total amount claimed. According to the payment schedule, the total amount due during ROPS 15-16B is \$1,400,000, a difference of \$50,000. To the extent the Agency can provide sufficient documentation, such as a revised payment schedule or notice from the lender, the Agency may be able to obtain full funding for this item in the future. Therefore, Finance reduces this item by \$50,000, and approves Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$1,400,000 for this item.
- Item Nos. 66 and 101 – City of Rancho Cucamonga (City) Loan repayments in the amount of \$11,067,554 requested for ROPS 15-16B and total outstanding obligation of \$14,382,129 are not enforceable obligations.
- Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) 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 June 7, 2013. The Oversight Board Resolution No. 15-04, approving loans between the former redevelopment agency and

the City of Rancho Cucamonga and finding the loans were for legitimate redevelopment purposes, was denied.

The Agency was unable to provide adequate documentation to support the amounts claimed. The Agency provided staff reports, resolutions, notes to the financial statements, and cooperation agreements. However, these documents are insufficient to support the requested amount. Pursuant to HSC section 34171 (d) (1) (B), loans are defined as loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. HSC section 34191.4 (2) (A) further defines loans as a transfer of money from the City to the Agency.

The cooperation agreements do not state the amount to be loaned by the City, and the Agency was unable to provide documentation to support the transfer of money from the City to the Agency. Furthermore, the cooperation agreements appear to be reimbursement agreements; the Agency agreed to reimburse the City for costs incurred by City administrative staff, facilities usage, and other services, rather than an exchange of cash.

As such, these items are not eligible for RPTTF funding. To the extent the Agency can provide suitable documentation, such as executed loan agreements encompassing all the underlying terms and conditions, bank statements, cancelled checks, and/or general ledger reports to demonstrate the transfer of money, these loans may be eligible for repayment on a future ROPS.

- Item No. 78 – Property Maintenance in the amount of \$1,000 has been adjusted. At the Agency's request, Finance has reduced this item by \$782. Therefore, Finance approves RPTTF funding in the amount of \$218 (\$1,000 - \$782) for this item.
- Item No. 98 – Bond Arbitrage Fees in the amount of \$2,500 have been adjusted. At the Agency's request, Finance has removed this item from the ROPS as no funding is needed during this ROPS period.
- Claimed administrative costs exceed the allowance by \$1,596. HSC section 34171 (b) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Bernardino County Auditor-Controller (CAC) distributed \$533,079 for the July through December 2015 period, leaving a balance of \$274,313 available for the January through June 2016 period. Although \$275,909 is claimed for administrative costs, only \$274,313 is available pursuant to the cap. Therefore, \$1,596 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any

items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you 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 at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet and confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,343,107 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	20,264,522
Total RPTTF requested for administrative obligations	275,909
Total RPTTF requested for obligations on ROPS 15-16B	\$ 20,540,431
Total RPTTF requested for non-administrative obligations	20,264,522
<u>Denied Items</u>	
Item No. 42	(50,000)
Item No. 66	(1,443,207)
Item No. 78	(718)
Item No. 98	(2,500)
Item No. 101	(9,624,347)
	(11,120,772)
Total RPTTF authorized for non-administrative obligations	\$ 9,143,750
Total RPTTF requested for administrative obligations	275,909
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(1,596)
Total RPTTF authorized for administrative obligations	\$ 274,313
Total RPTTF authorized for obligations	\$ 9,418,063
ROPS 14-15B prior period adjustment	(74,956)
Total RPTTF approved for distribution	\$ 9,343,107

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	18,435,979
Total RPTTF for 15-16B (January through June 2016)	9,143,750
Less approved unfunded obligations from prior periods	0
Total RPTTF for fiscal year 2015-2016	27,579,729
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	827,392
Administrative allowance for ROPS 15-16A (July through December 2015)	(553,079)
Remaining administrative cost cap for ROPS 15-16B	274,313
ROPS 15-16B administrative obligations after Finance adjustments	(275,909)
Administrative costs in excess of the cap	\$ (1,596)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved

obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when funding was requested for the six-month period. Finance's determination is effective for this time 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 it was 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 statutes. 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 Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Tamara Layne, Finance Director, City of Rancho Cucamonga
Ms. Linda Santillano, Property Tax Manager, San Bernardino County