



April 6, 2016

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

Dear Ms. Daniels:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Rancho Cucamonga Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

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

The Agency's claimed administrative costs exceed the allowance by \$56,764. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed Redevelopment Property Tax Trust Fund (RPTTF) in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. This amount is further adjusted by the ACA distributed for the prior year. As a result, the Agency's maximum ACA is \$807,203 for the fiscal year 2016-17. Although \$863,967 is claimed for administrative cost, only \$807,203 is available pursuant to the cap. Therefore, \$56,764 of excess administrative cost is not allowed.

Except for the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are 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 to Other Funds and in the amount specified below:

Item No. 7 – Trustee Fees in the amount of \$4,000 has been partially reclassified. The Agency requests \$4,000 from RPTTF; however, Finance is reclassifying \$727 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$727 in available Other Funds. Therefore, with the Agency's concurrence, Finance is approving RPTTF in the amount of \$3,273 and the use of Other Funds in the amount of \$727, totaling \$4,000 for the July 1, 2016 through December 31, 2016 period (ROPS A period).

The Agency's maximum approved RPTTF distribution for the reporting period is \$29,605,369 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 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 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

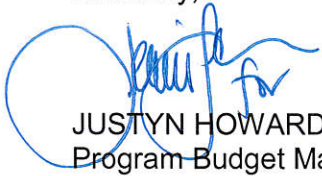
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for 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.

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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

Attachment

| Approved RPTTF Distribution | | | |
|--|----------------------|----------------------|----------------------|
| For the period of July 2016 through June 2017 | | | |
| | ROPS A Period | ROPS B Period | Total |
| Requested RPTTF (excluding administrative obligations) | \$ 20,165,489 | \$ 8,633,404 | \$ 28,798,893 |
| Requested Administrative RPTTF | 604,965 | 259,002 | 863,967 |
| Total RPTTF requested for obligations on ROPS 16-17 | 20,770,454 | 8,892,406 | \$ 29,662,860 |
| Total RPTTF requested | 20,165,489 | 8,633,404 | 28,798,893 |
| <u>Reclassified Item</u> | | | |
| Item No. 7 | (727) | 0 | (727) |
| Total RPTTF authorized | 20,164,762 | 8,633,404 | \$ 28,798,166 |
| Total Administrative RPTTF requested | 604,965 | 259,002 | 863,967 |
| Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below) | 0 | (56,764) | (56,764) |
| Total Administrative RPTTF authorized | 604,965 | 202,238 | \$ 807,203 |
| Total RPTTF approved for distribution | 20,769,727 | 8,835,642 | \$ 29,605,369 |

| Administrative Cost Allowance Cap Calculation | |
|---|--------------------|
| Actual RPTTF distributed for fiscal year 2015-16 | \$ 27,735,107 |
| Less sponsoring entity loan and Administrative RPTTF | 828,324 |
| Actual RPTTF distributed for 2015-16 after adjustment | 26,906,783 |
| Administrative Cap for 2016-17 per HSC section 34171 (b) | 807,203 |
| ROPS 16-17 Administrative RPTTF after Finance adjustments | 863,967 |
| Administrative Cost Allowance in excess of the cap | \$ (56,764) |