



April 13, 2018

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

Dear Mr. Andrews:

Subject: 2018-19 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, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 30, 2018. Finance has completed its review of the ROPS 18-19.

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

- Item No. 6 – Baxter Distribution Center Disposition and Development Agreement (DDA), total outstanding obligation amount of \$28,827,000 is not allowed. It is our understanding the DDA has been terminated. Therefore, this item is no longer an enforceable obligation and the requested amount of \$1,010,000 in Redevelopment Property Tax Trust Fund (RPTTF) is not allowed. Since this item is no longer an enforceable obligation, and with the Agency's concurrence, this item will be retired.
- Item No. 8 – Medcal Sales Location Agreement, total outstanding obligation amount of \$26,200,000 is not allowed. It is our understanding the Location Agreement has been terminated. Therefore, this item is no longer an enforceable obligation and the requested amount of \$2,600,000 in RPTTF is not allowed. Since this item is no longer an enforceable obligation, and with the Agency's concurrence, this item will be retired.
- Item No. 141 – Staples Sales and Distribution/2009 Facility Upgrade Loan Agreement, total outstanding amount of \$2,700,000, is not allowed. The Agency provided a claim form and a cancelled check to support the amount requested. However, these documents are insufficient because they do not show how the requested amount was calculated. Therefore, the requested amount of \$900,000 is ineligible for RPTTF. To the extent the Agency can provide documentation to support the requested amount, such as sales tax data or sales tax revenue collected, the item may be considered on a future ROPS.

- The Agency’s claimed administrative costs exceed the allowance by \$6,553. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater, not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency’s maximum ACA is \$458,292 for the fiscal year 2018-19. Although \$464,845 is claimed for ACA, only \$458,292 is available pursuant to the cap. Therefore, as noted in the table below, \$6,553 of excess ACA is not allowed:

<b>Administrative Cost Allowance Calculation</b>	
Actual RPTTF distributed for fiscal year 2017-18	\$ 15,739,135
Less distributed Administrative RPTTF	(462,720)
RPTTF distributed for 2017-18 after adjustment	15,276,415
ACA Cap for 2018-19 per HSC section 34171 (b)	<b>458,292</b>
ACA requested for 2018-19	464,845
<b>Total ACA</b>	<b>464,845</b>
<b>ACA in Excess of Cap</b>	<b>\$ (6,553)</b>

Further, the adjusted administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$683,682 in RPTTF unexpended from the ROPS 15-16 period available to fund enforceable obligations on the ROPS 18-19. These unexpended RPTTF funds are considered Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency’s concurrence, the funding source for the following item has been reclassified in the amounts specified below:
  - Item No. 1 – 1993 Tax Allocation Bonds in the requested RPTTF of \$8,157,631 is partially reclassified. This item does not required payment from RPTTF. Therefore, Finance approves RPTTF in the amount of \$7,473,949 and Reserve Balances in the amount of \$683,682, for a total of \$8,157,631.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, except items that are the subject of litigation disputing our 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 our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$10,759,444 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

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

This determination is effective for the ROPS 18-19 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 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 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 Nichelle Jackson, Supervisor, or Cole Chev, Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI  
Program Budget Manager

cc: Ms. Charity Hernandez, Redevelopment Manager, City of Ontario  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2018 through June 2019</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 18-19 Total</b>
RPTTF Requested	\$ 9,653,406	\$ 5,841,428	\$ 15,494,834
Administrative RPTTF Requested	289,602	175,243	464,845
<b>Total RPTTF Requested</b>	<b>9,943,008</b>	<b>6,016,671</b>	<b>15,959,679</b>
<b>RPTTF Requested</b>	<b>9,653,406</b>	<b>5,841,428</b>	<b>15,494,834</b>
<u>Adjustments</u>			
Item No. 1	(683,682)	0	(683,682)
Item No. 6	0	(1,010,000)	(1,010,000)
Item No. 8	(1,300,000)	(1,300,000)	(2,600,000)
Item No. 141	0	(900,000)	(900,000)
	(1,983,682)	(3,210,000)	(5,193,682)
<b>RPTTF Authorized</b>	<b>7,669,724</b>	<b>2,631,428</b>	<b>10,301,152</b>
<b>Administrative RPTTF Requested</b>	<b>289,602</b>	<b>175,243</b>	<b>464,845</b>
Excess Administrative Costs	0	(6,553)	(6,553)
<b>Administrative RPTTF Authorized</b>	<b>289,602</b>	<b>168,690</b>	<b>458,292</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 7,959,326</b>	<b>\$ 2,800,118</b>	<b>\$ 10,759,444</b>