



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 13, 2018. 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, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 30, 2018. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 30, 2018.

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 determinations being disputed.

- Item No. 6 – Baxter Distribution Center Disposition and Development Agreement (DDA) in the amount of \$1,010,000 is partially allowed. It is our understanding the DDA has been terminated and the Agency requested this item to be retired during ROPS 18-19, however the Agency still owes additional Redevelopment Property Tax Trust Fund (RPTTF) due to actual payments made that exceeded previously requested amounts. During the Meet and Confer, the Agency provided additional documentation to support \$764,085 is still outstanding for costs incurred during the ROPS 17-18 period. Therefore, Finance is adjusting the requested amount of \$1,010,000 by \$245,915 and approving \$764,085 in RPTTF.
- Item No. 8 – MedCal Sales Location Agreement in the amount of \$2,600,000 is partially allowed. It is our understanding the Location Agreement has been terminated and the Agency requested this item to be retired during ROPS 18-19; however, the Agency still owes additional RPTTF due to actual payments made that exceeded previously requested amounts. During the Meet and Confer, the Agency provided additional documentation to support the \$1,564,012 still outstanding for costs incurred during the ROPS 16-17 period. Therefore, Finance is adjusting the requested amount of \$2,600,000 by \$1,035,988 and approving \$1,564,012 in RPTTF.

- Item No. 141 – Staples Sales and Distribution/2009 Facility Upgrade Loan Agreement in the amount of \$900,000. Finance no longer denies this item. The Agreement with Staples requires an annual covenant payment of \$900,000 to Staples if the annual base amount of \$4,287,591 of sales tax is reached. During the Meet and Confer, the Agency provided documentation supporting Staples had exceeded the base amount in 2016 and anticipates Staples will exceed the annual base amount for 2017 as well. Therefore, Finance approves the requested amount of \$900,000 of RPTTF.

In addition, per Finance’s letter dated April 13, 2018, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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	<u>15,276,415</u>
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><u>464,845</u></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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$13,987,541 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.

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 deem 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.

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Please direct inquiries to Cindie Lor, Supervisor, or Jeremy Bunting, Lead 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	(245,915)	(245,915)
Item No. 8	0	(1,035,988)	(1,035,988)
	(683,682)	(1,281,903)	(1,965,585)
<b>RPTTF Authorized</b>	<b>8,969,724</b>	<b>4,559,525</b>	<b>13,529,249</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>\$ 9,259,326</b>	<b>\$ 4,728,215</b>	<b>\$ 13,987,541</b>