



REVISED

May 16, 2017

Ms. Lisa Strong, Management Services Director  
City of Fontana  
8353 Sierra Avenue  
Fontana, CA 92335

Dear Ms. Strong:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 17-18) determination letter dated April 14, 2017. A revision is necessary to adjust the administrative cost allowance, which affects Item Nos. 68 and 87.

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fontana Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on February 1, 2017. Finance has completed its review of the ROPS 17-18.

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

- Item No. 51 – Ten-Ninety Owner Participation Agreement (OPA) in the requested amount of \$8,700,000 is partially allowed. It is our understanding the Agency is requesting 100 percent of the tax increment generated from the Jurupa Hills Redevelopment Project Area (Project Area) for payment to Ten-Ninety, for the fiscal years 2014-15 through 2017-18. The OPA is the subject of pending litigation to which the City of Fontana (City), the Agency, and Finance are parties.

Finance continues to contest portions of the OPA; however, pursuant to the December 22, 2016 stipulation (Stipulation) between Finance, the San Bernardino County Auditor-Controller (CAC), the City, the Agency, and Ten-Ninety, Ltd. (Ten-Ninety), Finance no longer challenges Ten-Ninety's contractual right under the OPA to receive payment from the Agency currently amounting to 65 percent of available Redevelopment Property Tax Trust Fund (RPTTF) derived from the Project Area. Under the Stipulation, the CAC agreed to release 65 percent of the property tax revenue derived from the Project Area during 2015-16 and 2016-17 and continues to sequester the remaining 35 percent generated during that period and during future periods pursuant to the Sequestration Order (Order) entered on December 21, 2015. On January 17, 2017, the CAC released 65 percent of the sequestered funding for 2015-16 and 2016-17 in accordance with the Stipulation.

During this ROPS period, the Agency requested funding in the amount of \$8,700,000 for 2014-15 through 2017-18. However, as noted above, the Agency already received the funding for 2015-16 and 2016-17. Additionally, the Agency's requests for the OPA during the ROPS 14-15A and 14-15B periods were not denied. As a result, there does not appear to be a basis for the Agency's request for additional amounts for those periods.

The Agency is also requesting the difference between the estimated and actual property tax revenue generated in the Project Area for 2015-16 and 2016-17 as part of the requested \$8,700,000. However, it is our understanding the CAC is currently in the process of reconciling differences between the estimated and actual property tax revenues. Once the CAC reconciliation is complete, and if the actual property tax revenue generated in the Project Area is higher the estimated figures, the Agency may request the 65 percent of the difference for 2015-16 and 2016-17 on a future ROPS under a new ROPS line item. Pursuant to HSC section 34186 (a) (1), differences between actual payments and past estimated obligations shall be report in subsequent ROPS and shall adjust the future RPTT distributions. Therefore, if the actual property tax revenue is lower than the estimated, the difference should be retained and reported as prior period adjustment on a future ROPS.

In light of the above, Finance approves 65 percent of the estimated property tax revenue for the Project Area for 2017-18; it is estimated the Project Area will generate approximately \$6,827,563 in property tax revenue. As a result, Finance approves \$4,437,916 ( $\$6,827,563 \times 65$  percent), based on the estimate provided for the 2017-18 year. The CAC will continue to sequester the 35 percent of the 2017-18 estimated property tax revenue for the Project Area pursuant to the Stipulation and the Order. Therefore, \$4,262,084 ( $\$8,700,000 - \$4,437,916$ ) is not eligible for RPTTF funding.

- Item No. 55 – Supplemental Educational Revenue Augmentation Fund Loan in the total requested amount of \$5,999,579 from RPTTF is partially allowed.

Finance notes the total outstanding obligation, also the requested amount, \$5,999,579, is overstated. After recalculating the outstanding loan balance, the amount reported on the Agency's ROPS Detail Form has been reduced by \$656,064 to \$5,343,515. As a result, the Agency's current request has been reduced to \$5,343,515 ( $\$5,999,579 - \$656,064$ ) only to allow the funds necessary to fulfill this obligation. The Agency concurred with this adjustment. Therefore, \$656,064 is not eligible for RPTTF funding. This obligation will be paid in full and considered retired.

- Item Nos. 68 and 87 – Administrative Cost Allowance (ACA) in the total requested amount of \$1,300,380 has been adjusted. Finance adjusted the amount distributed by the San Bernardino County-Auditor Controller in January 2017 by \$7,800,000 due to the release of the sequestered funds pursuant to the Stipulation as described above. As a result, Item No. 68 has been increased by \$234,000, and, with the Agency's concurrence, Item No. 87, for the requested amount of \$234,000 in Other Funds, has been retired. The Agency is approved RPTTF in the amount of \$1,300,380 and Other Funds in the amount of \$234,000, totaling \$1,534,380 for ACA.
- 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 (I) (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 in the amount specified below:

- Item No. 22 – 2005A Subordinate Tax Allocation Bonds in the amount of \$10,012,850 has been partially reclassified. 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 \$370,670 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$8,017,180, Other Funds in the amount of \$370,670, and the use of Reserve Balances in the amount of \$1,625,000, totaling \$10,012,850 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 \$45,605,062 as summarized in the Approved RPTTF Distribution table on Page 5 (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 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.

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.

Absent a Meet and Confer, this is Finance's 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 Nichelle Jackson, Supervisor, or Michael Barr, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2017 through June 2018</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 17-18 Total</b>
RPTTF Requested	\$ 20,721,963	\$ 28,871,537	\$ 49,593,500
Administrative RPTTF Requested	650,190	650,190	1,300,380
<b>Total RPTTF Requested</b>	<b>21,372,153</b>	<b>29,521,727</b>	<b>50,893,880</b>
<b>RPTTF Requested</b>	<b>20,721,963</b>	<b>28,871,537</b>	<b>49,593,500</b>
<u>Adjustments</u>			
Item No. 22	(370,670)	0	(370,670)
Item No. 51	(862,084)	(3,400,000)	(4,262,084)
Item No. 55	0	(656,064)	(656,064)
	<u>(1,232,754)</u>	<u>(4,056,064)</u>	<u>(5,288,818)</u>
<b>RPTTF Authorized</b>	<b>19,489,209</b>	<b>24,815,473</b>	<b>44,304,682</b>
<b>Administrative RPTTF Authorized*</b>	<b>650,190</b>	<b>650,190</b>	<b>1,300,380</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 20,139,399</b>	<b>\$ 25,465,663</b>	<b>\$ 45,605,062</b>

\* In addition, the Agency is approved Other Funds in the amount of \$234,000, a total of \$1,534,380 for ACA.