



April 10, 2015

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

Dear Ms. Strong:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Fontana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 25, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

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 (Agreement) is not allowed. It is our understanding in 1982, the former redevelopment agency (RDA) entered into an owner participation agreement (OPA) with Ten-Ninety, Ltd., the Participating Owner, relating to the Jurupa Hills Project Area. Under the OPA, the RDA is required to reimburse the Participating Owner for certain infrastructure and other improvements costs. Per the OPA, the Participating Owner submits development costs incurred on a quarterly basis. These development costs were to be reimbursed from the Agency revenues, including the tax increment revenue generated in the Jurupa Hills Project Area and certain fees and assessments.

The Agency asserts that the amount of the obligation, combined with the cumulated interest at the 15.5 percent interest rate, indebts the Agency for roughly \$1,500,000,000. The Agency has been paying \$5 million to \$6 million annually. However, the Agency has not provided sufficient documentation to support the outstanding obligation or the annual payments.

Additionally, Finance notes that the alleged contribution of less than \$200 million towards construction on infrastructure by Ten-Ninety, Ltd., in exchange for the former RDA's alleged obligation of roughly \$1.5 billion, which diverts all available property tax revenues from the project area to this obligation and which the Agency staff acknowledges will never be paid off based on how the Agency has currently structured its payments to Ten-Ninety, Ltd., appears contrary to public policy.

Consequently, this item is not an enforceable obligation and is not eligible for Other Funds and Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Claimed administrative costs exceed the allowance by \$30,000. HSC section 34171 (b) limits fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Although \$493,502 is claimed for administrative cost, only \$463,502 is available pursuant to the cap. Therefore, \$30,000 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

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

The Agency's maximum approved RPTTF distribution for the reporting period is \$15,076,955 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	16,020,669
Total RPTTF requested for administrative obligations	493,502
Total RPTTF requested for obligations on ROPS	\$ 16,514,171
Total RPTTF requested for non-administrative obligations	16,020,669
<u>Denied Items</u>	
Item No. 51	(570,586)
Total RPTTF authorized for non-administrative obligations	\$ 15,450,083
Total RPTTF requested for administrative obligations	493,502
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(30,000)
Total RPTTF authorized for administrative obligations	\$ 463,502
Total RPTTF authorized for obligations	\$ 15,913,585
ROPS 14-15A prior period adjustment	(836,630)
Total RPTTF approved for distribution	\$ 15,076,955

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	15,450,083
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	463,502
Total RPTTF administrative obligations after Finance adjustments	493,502
Administrative costs in excess of the cap	\$ (30,000)

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<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 July 1 through December 31, 2015. This determination only applies to items where 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 periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: On the following page

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cc: Ms. Dawn Brooks, Accounting Manager, City of Fontana
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office