



November 15, 2013

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

Dear Mr. Andrews:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Ontario Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation for the reasons specified:

- Claimed administrative costs exceed the allowance by \$5,011. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Bernardino County Auditor-Controller's Office distributed \$292,835 for administrative costs for the July through December 2013 period, thus leaving a balance of \$244,989 available for the January through June 2014 period. Although \$250,000 is claimed for administrative cost, only \$244,989 is available pursuant to the cap. Therefore, \$5,011 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Based on the information reported by the Agency, it has an available Other Funds balance totaling \$378,376.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 10 – 2007 Owners Participation Agreement for the Ontario Airport Towers in the amount of \$133,387. The Agency requests \$250,000 of RPTTF; however Finance is reclassifying \$133,387 to Other Funds. This item was determined to be an enforceable

obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$378,376 in Other Funds. Therefore, Finance is approving RPTTF in the amount of \$116,613 and the use of Other Funds in the amount of \$133,387, totaling \$250,000 for Item No. 10.

- Item No. 138 – Administration and Overhead Allocation in the amount of \$244,989. The Agency requests \$250,000 of RPTTF; however Finance is reclassifying \$244,989 to Other Funds. This item was approved for \$244,989 for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has \$378,376 in Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$244,989 for Item No. 10.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part as enforceable obligation or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 \$6,443,998 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	8,166,282
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	8,416,282
Total RPTTF requested for non-administrative obligations	8,166,282
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 10	133,387
	<u>133,387</u>
Total RPTTF approved for non-administrative obligations	8,032,895
Total RPTTF requested for administrative obligations	250,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	244,989
<u>Reclassified Items – From RPTTF to Other Funds</u>	
Item No. 138	244,989
	<u>244,989</u>
Total RPTTF for administrative obligations	-
Total RPTTF approved for obligations	8,032,895
ROPS III prior period adjustment	(1,588,897)
Total RPTTF approved for distribution	\$ 6,443,998
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	9,761,172
Total RPTTF for 13-14B (January through June 2014)	8,166,282
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	17,927,454
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	537,824
Administrative allowance for 13-14A (July through December 2013)	292,835
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	244,989

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, we did not receive the requested information at the time of our review. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

In addition, based on the information Agency reported on the Fund Balance form and other information available, adjustments were made to the Agency's Fund Balance form. Although these adjustments have no effect on the amount of RPTTF the Agency receives, these adjustments will affect the Agency's fund balances for the fund sources involved. The following adjustments were made:

- The Agency was allowed to retain \$2,343,771 in bond reserves during the Other Funds and Accounts Due Diligence Review; however, the amount was omitted from the Fund Balance form. This amount was added to the bond proceeds balance for Bonds Issued

on or before December 31, 2010. The Agency should continue to report this amount on future ROPS.

- The Agency indicated the actual expenditures for administrative costs for the January through June 2013 ROPS period were (\$626,053). However, based on information provided by the San Bernardino County Auditor Controller's (CAC) Office, this amount should be \$721,482. As such, the amount was adjusted to \$721,482.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 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 successor agency in the RPTTF.

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 Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Charity Hernandez, Redevelopment Manager, City of Ontario
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office