



December 17, 2015

Ms. Linda Daniels, Assistant City Manager  
City of Rancho Cucamonga  
10500 Civic Center Drive  
Rancho Cucamonga, CA 91730

Dear Ms. Daniels:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 13, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Cucamonga Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 1, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 13, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on November 24, 2015.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed.

- Item No. 42 – Northtown Housing Development Corporation Pledge payment, in the amount of \$1,450,000. With the Agency's concurrence, Finance continues to make a partial adjustment. This item was denied in the July through December 2015 (ROPS 15-16A) period causing the Agency to default on the pledge payment. After additional review in the ROPS 15-16B period, Finance determined this item is an enforceable obligation. Accordingly, pursuant to Section 2.02 of the Amended and Reinstated Loan Agreement, the Agency incurred a default penalty of \$31,055. This amount is also supported by invoices from the Trustee. Therefore, this item is approved for \$1,431,055 in Redevelopment Property Tax Trust Funds (RPTTF) to satisfy the past due payment, default payment, and ROPS 15-16B payment.
- Item No. 66– City of Rancho Cucamonga (City) Loan repayments in the amount of \$1,443,207. With the Agency's concurrence, Finance continues to deny this item.

Finance initially denied this item because the Oversight Board (OB) had not approved the loan as meeting the requirements pursuant to HSC section 34191.4 (b). During the Meet and Confer, the Agency clarified that the item is a loan between the former redevelopment agency (RDA) and the City made within the first two years of the RDA's formation and is an enforceable obligation pursuant to HSC section 34171 (d) (1).

However, during our review, the Agency acknowledged that the first \$120,000 loaned by the City to the RDA in 1981 had been repaid prior to RDA dissolution. Additionally, the Agency acknowledged that while a resolution was made between the City and the former RDA in 1982 to loan \$600,000 to the former RDA, the transaction did not occur and no amounts were actually loaned. As such, this item is denied for funding on the ROPS. It is expected the Agency will retire this item on the next ROPS.

- Item No. 101 – City Loan repayments in the amount of \$9,624,347 requested for ROPS 15-16B and total outstanding obligation of \$12,938,922. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the Agency has received a Finding of Completion and the Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes. The Agency received a Finding of Completion on June 7, 2013. However, OB Resolution No. 15-04, approving loans between the former redevelopment agency and the City and finding the loans were for legitimate redevelopment purposes, was denied.

The Agency was unable to provide adequate documentation to support the amounts claimed. The Agency provided staff reports, resolutions, notes to the financial statements, and cooperation agreements. However, these documents are insufficient to support the requested amount. Pursuant to HSC section 34171 (d) (1) (B), loans are defined as loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. HSC section 34191.4 (2) (A) further defines loans as a transfer of money from the City to the Agency. The cooperation agreements do not state the amount to be loaned by the City, and the Agency was unable to provide documentation to support the transfer of money from the City to the Agency. Furthermore, the cooperation agreements appear to be reimbursement agreements; the Agency agreed to reimburse the City for costs incurred by City administrative staff, facilities usage, and other services, rather than an exchange of cash.

During the Meet and Confer, the Agency provided financial statements to demonstrate the outstanding loan balances. However, as previously stated, the documents provided are not adequate to substantiate the loan from the City to the former RDA. Additionally, Finance determined that during our review of OB Resolution 15-04, the Agency erroneously submitted a resolution related to Item No. 66 (above), rather than the corresponding resolution to support Item No. 101, which is the subject of the OB Resolution 15-04.

To the extent the Agency can provide suitable documentation, such as executed loan agreements encompassing all the underlying terms and conditions, bank statements, cancelled checks, and general ledger reports to demonstrate the transfer of money, the loan may be eligible for repayment on a future ROPS. Therefore, this item is not eligible for RPTTF funding.

In addition, per Finance's letter dated November 13, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 78 – Property Maintenance in the amount of \$1,000 has been adjusted. At the Agency's request, Finance has reduced this item by \$782. Therefore, Finance approves RPTTF funding in the amount of \$218 (\$1,000 - \$782) for this item.
- Item No. 98 – Bond Arbitrage Fees in the amount of \$2,500 have been adjusted. At the Agency's request, Finance has removed this item from the ROPS as no funding is needed during this ROPS period.
- Claimed administrative costs exceed the allowance by \$664. HSC section 34171 (b) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The San Bernardino County Auditor-Controller (CAC) distributed \$533,079 for the July through December 2015 period, leaving a balance of \$275,245 available for the January through June 2016 period. Although \$275,909 is claimed for administrative costs, only \$275,245 is available pursuant to the cap. Therefore, \$664 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$9,375,094 as summarized in the Approved RPTTF Distribution table on the next page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	20,264,522
Total RPTTF requested for administrative obligations	275,909
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 20,540,431</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>20,264,522</b>
<b>Denied Items</b>	
Item No. 42	(18,945)
Item No. 66	(1,443,207)
Item No. 78	(718)
Item No. 98	(2,500)
Item No. 101	(9,624,347)
	(11,089,717)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 9,174,805</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>275,909</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(664)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 275,245</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 9,450,050</b>
ROPS 14-15B prior period adjustment	(74,956)
<b>Total RPTTF approved for distribution</b>	<b>\$ 9,375,094</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	18,435,979
Total RPTTF for 15-16B (January through June 2016)	9,174,805
Less approved unfunded obligations from prior periods	0
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>27,610,784</b>
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	828,324
Administrative allowance for ROPS 15-16A (July through December 2015)	(553,079)
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>275,245</b>
ROPS 15-16B administrative obligations after Finance adjustments	(275,909)
<b>Administrative costs in excess of the cap</b>	<b>\$ (664)</b>

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

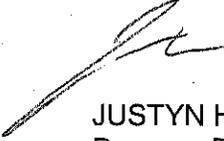
This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when

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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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 statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Tamara Layne, Finance Director, City of Rancho Cucamonga  
Ms. Linda Santillano, Property Tax Manager, San Bernardino County