



April 11, 2016

Mr. Rob Burns, Director of Finance
City of Chino
13220 Central Avenue
Chino, CA 91710

Dear Mr. Burns:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Chino Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 25, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 11 – Chino Sign Agreement in the total outstanding amount of \$6,000 is not allowed. HSC section 34171 (d) (2) states that enforceable obligations do not include any agreements, contracts, or arrangements between the city or county that created the redevelopment agency (RDA) unless a written agreement was entered into before December 31, 2010, or at the time of issuance of indebtedness obligations, solely for the purpose of repaying indebtedness obligations (i.e., bonds), or for a loan agreement which was issued within two years of the RDA being established.

During our review, the Agency provided a Cooperation Agreement dated April 2, 2009 to support the amount requested. Because this agreement is between the Agency and the City of Chino (City), and does not relate to an indebtedness obligation or a loan agreement issued within two years of the RDA being established, this line item is not considered an enforceable obligation, and the requested amount of \$600 for the ROPS 16-17 period is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 15 – 2004 Development Agreement-College Park. It is our understanding the Agency requested the incorrect funding source for a portion of this request. The Agency requested \$488,889 from Other Funds for the July 1, 2016 to December 31, 2016 period (ROPS A period). However, the Agency should have requested funds from RPTTF. As a result, and with the Agency's consent, Finance has approved Bond Proceeds in the amount of \$2,000,000 and RPTTF in the amount of \$488,899, for a total of \$2,488,899, for this item for the ROPS A period.

- Item No. 52 – 2009 Funding Agreement in the amount of \$114,618,000 is not allowed. HSC section 34171 (d) (2) states that enforceable obligations do not include any agreements, contracts, or arrangements between the city or county that created the redevelopment agency (RDA) unless a written agreement was entered into before December 31, 2010, or at the time of issuance of indebtedness obligations, solely for the purpose of repaying indebtedness obligations (i.e. bonds), or for a loan agreement which was issued within two years of the RDA being established.

During our review, the Agency provided a Funding Agreement dated December 15, 2009 to support the item as an enforceable obligation. The Funding Agreement is between the Agency and the City, and does not relate to an indebtedness obligation or a loan agreement issued within two years of the RDA being established. Furthermore, the Funding Agreement appears to be an agreement to fund several public works projects of the City, and there are no third party contracts in place prior to dissolution dependent upon the Funding Agreement, or the Agency. For these reasons, this line item is not considered an enforceable obligation, and will never be eligible for RPTTF funding. The Agency should retire this line item.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (I) (1) (E), agencies are 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 consent, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:
 - Item No. 15 – 2004 Development Agreement-College Park. The Agency requested \$5,942,101 from RPTTF for the January 1, 2017 through June 30, 2017 period (ROPS B period); however, Finance is reclassifying \$4,511,101 to Other Funds. This item is an enforceable obligation; however, the obligation does not require payment from RPTTF. Therefore, Finance is approving RPTTF in the amount of \$1,431,000 and the use of Other Funds in the amount of \$4,511,101, totaling \$5,942,101.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$8,755,395 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's

determination is for the entire ROPS 16-17 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 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

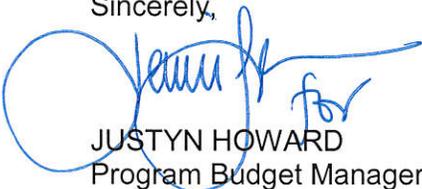
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Nada Repajic, Management Analyst, City of Chino
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 5,130,420	\$ 7,397,777	\$ 12,528,197
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	5,255,420	7,522,777	\$ 12,778,197
Total RPTTF requested	5,130,420	7,397,777	12,528,197
<u>Denied Item</u>			
Item No. 11	(600)	0	(600)
<u>Reclassified Item</u>			
Item No. 15	488,899	(4,511,101)	(4,022,202)
Total RPTTF authorized	5,618,719	2,886,676	\$ 8,505,395
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	5,743,719	3,011,676	\$ 8,755,395