DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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October 19, 2012

Ms. Charity Hernandez, Redevelopment Manager
City of Ontario
303 East B Street
Ontario, CA 91746

Dear Ms. Hernandez:

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 III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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 do not qualify as enforceable obligations:

- Items No. 4 and 30 – Low and Moderate Housing Set-Aside Loan in the total amount of $18,679,343 funded by Redevelopment Property Tax Trust Fund (RPTTF). According to the Agency staff, these items are loans made by Fannie Mae to the former redevelopment agency (RDA) in 2002 for affordable housing projects. Documentation was not provided to support the loans as enforceable obligations.

- Item No. 7 – Staples Sales and Distribution Agreement in the amount of $10.2 million funded by RPTTF. Documents provided were not sufficient to support the total obligation listed. Therefore, this line item is not eligible for RPTTF funding.

- Item No. 11 – Sea Partners 2011 Development and Disposition Agreement in the amount of $410,000 funded by RPTTF. The document provided was not sufficient in detailing the specific obligation of the former RDA under the Agreement.

- Item No. 12 – Edwards Theatres 2002 Development and Disposition Agreement in the amount of $245,000 funded by RPTTF. The document provided was not sufficient in detailing the specific obligation of the former RDA under the Agreement.

- Item Nos. 56 through 77 – Various projects under the Corporative Agreement in the total amount of $236.41 million funded by RPTTF. HSC section 34171 (d) (2) states that agreements between the RDA and the city or county that created it are not enforceable obligations.

- Item No. 79 – 1998 Promissory Note for the Baxter Distribution Center in the amount of $3.5 million funded by RPTTF. This is an agreement between the City and the redevelopment agency. HSC section 34171(d)(2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations unless the agreement was entered into within two years from the date of creation of the RDA. The RDA was established in 1971 and the agreement was entered into in 1998; therefore this item is not an enforceable obligation.

- Item No. 81 – 2007 Amended and Restated Development and Disposition Agreement for Low-Mod Housing Project in the amount of $15,129,889 funded by Low and Moderate Income Housing Fund (LMIHF). Sufficient document was not provided to support a payment schedule or the amount of the total obligation.

- Item No. 82 – Begin Program/2011 State of California Agreement in the amount of $1.29 million funded from the LMIHF. This item was not listed on the Housing Asset form provided previously and the contract provided is between the City of Ontario and a third party. As the former RDA is neither a party to the contract nor responsible for payment of the contract, this line item in not an enforceable obligation

- Items No. 83 through 87, 89 and 90 – Low-Mod Housing Project/Programs administration costs in the total amount of $889,614 funded by LMIHF. These items are identified as administration and maintenance costs of the Housing CARES program, and therefore are the obligations of the housing entity. HSC section 34176(a)(1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. Therefore, these line items are not enforceable obligations.

- Item No. 88 – Various Grants for Low/Mod Housing CARES Program in the amount of $1,110,386 funded by LMIHF. These grants were awarded by the City, not the former RDA. As the former RDA is neither a party to the contract nor responsible for payment of the contract, this line item is not an enforceable obligation.

- Items 91 and 92 – Personnel Costs for the Housing Authority employees in the total amount of $34,137,690 funded by LMIHF. These items are administration costs of the Housing Authority. HSC section 34176(a)(1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. Because the housing entity is responsible for its own operations and administrative costs, these line items are not enforceable obligations.

- Items 93 through 137 – Low-Mod Housing Projects/Programs Operational/Project Direct related expenses in the total amount of $1,690,398 funded by LMIHF. These items are identified as administration and maintenance costs of Low-Mod Housing Projects. HSC section 34176(a)(1) requires the housing entity to be responsible for the housing duties and obligations previously performed by the redevelopment agency. The housing entity is responsible for its own operations and administrative costs. Therefore, these line items are not enforceable obligations.

- Administrative costs funded by RPTTF exceed the allowance by $1,313,424. HSC section 34171(b) limits administrative expenses to three percent of property tax allocated

to the successor agency or $250,000, whichever is greater. Three percent of the property tax allocated is $640,231. Therefore, $1,313,424 of the claimed and reclassified $1,953,655 administrative costs is not an enforceable obligation. The following items were reclassified as administrative expenses:

- Item No. 13 – Auditing Services
- Item Nos. 15 and 16—Personnel Costs
- Item No. 17 through 28, 31 through 55 —Ongoing Projects/Program Cost

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $8,184,690 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	15,665,064
Less: Six-month total for item(s) denied or reclassified as administrative cost (See Attachement A for listing of denied or reclassified items)		8,120,605
Total approved RPTTF for enforceable obligations	$	7,544,459
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		640,231
Total RPTTF approved:	$	8,184,690

(Include the 2nd table if the allowable admin. cost is less than requested)

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	13,796,564
Total RPTTF for the period January through June 2013		7,544,459
Total RPTTF for fiscal year 2012-13:	**$**	**21,341,023**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		640,231
Administrative allowance for the period of July through December 2012		0
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**640,231**

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. John Andrews, Economic Development Director, City of Ontario
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County

Attachment A

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	$ 15,665,064
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 4	308,369
Item 7	2,400,000
Item 11	410,000
Item 12	245,000
Item 13*	6,000
Item 15*	194,165
Item 16*	1,050
Item 17*	46,875
Item 18*	50
Item 19*	6,000
Item 20*	50
Item 21*	5,000
Item 22*	100
Item 23*	125
Item 24*	1,000
Item 25*	1,250
Item 26*	500
Item 27*	2,500
Item 28*	20,000
Item 30	700
Item 31*	5,000
Item 32*	500
Item 33*	43,138
Item 34*	275
Item 35*	125
Item 36*	250
Item 37*	25,000
Item 38*	1,000
Item 39*	52,500
Item 40*	125,000
Item 41*	50,000
Item 42*	25,000
Item 43*	50,000
Item 44*	50,000
Item 45*	71,250
Item 46*	50,000
Item 47*	100,000
Item 48*	100,000
Item 49*	50,000
Item 50*	50,000

Item 51*		100,000
Item 52*		50,000
Item 53*		50,000
Item 54*		50,000
Item 55*		100,000
Item 56		11,000
Item 57		200,000
Item 58		40,000
Item 59		10,000
Item 60		80,000
Item 61		6,000
Item 62		40,000
Item 63		80,000
Item 64		40,000
Item 65		1,200,000
Item 66		255,000
Item 67		10,000
Item 68		250,000
Item 69		5,000
Item 70		90,000
Item 71		333,333
Item 72		40,000
Item 73		7,500
Item 74		35,000
Item 75		100,000
Item 76		50,000
Item 77		40,000
Item 79		350,000
Total approved RPTTF for enforceable obligations	$	7,544,459
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		640,231
Total RPTTF approved:	$	8,184,690

*Reclassified as administrative cost