DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 15, 2013

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 13-14A) to the California Department of Finance (Finance) on March 1, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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:

- Item No. 5 – Soccer Complex/2007 Lease Revenue Bonds in the amount of $32,955,875. The bonds were issued by the Ontario Redevelopment Financing Authority in 2007 and are payable from rental payments made by the City of Ontario. Therefore, this item is not eligible for RPTTF funding on the ROPS, however it approved for funding from other funding sources. Specifically, the rental payments received by the Agency from the City of Ontario.

- Item No. 8 – MedCal Sales Location/2005 Location Agreement in the amount of $57,201,217. The agreement between the former redevelopment agency (RDA) and MedCal Sales LLC pledges 50 percent of the local sales tax revenue, not property tax revenue or tax increment. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

- Item No. 9 – Toyota Distribution Center in the amount of $3.65 million. The contract provided was signed in December 1993, for a term of 15 years. Article 4 of the agreement states "This agreement shall terminate and be of no further force or effect, and the obligations of each of the parties shall be null and void, upon the first to occur of:

  (a) The expiration of the fifteenth (15th) year from the first payment of Agency Assistance as provided herein.

  (b) Payments to Participant under this Agreement reach a total of $2,116,345 in present value when discounted at 8% per year as determined by the Agency.

(c) Participant moves its operation from the Site or substantially reduces its presence on the site."

Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

- Claimed administrative costs exceed the allowance by $45,235. HSC section 34171(b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 for administrative expenses. Therefore, $45,235 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 $5,631,505 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	9,841,172
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 5		768,250
Item 8		675,000
Item 9		80,000
Total approved RPTTF for enforceable obligations	$	8,317,922
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		250,000
Minus: ROPS II prior period adjustment		(2,936,417)
Total RPTTF approved for distribution:	**$**	**5,631,505**

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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,

STEVE SZALAY
Local Government Consultant

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