

**ECONOMIC DEVELOPMENT SUBSIDY REPORT  
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR A RETENTION AND OPERATING COVENANT AGREEMENT  
BY AND BETWEEN  
CITY OF ONTARIO  
AND  
CARDINAL HEALTH, 200, LLC  
AND  
RGH ENTERPRISES, INC.**

Pursuant to Government Code Section 53083, the City Council of the City of Ontario must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding a proposed economic development subsidy to be provided by the City pursuant to a Retention and Operating Covenant Agreement by and between the City of Ontario and Cardinal Health, 200, LLC and RGH Enterprises, Inc. ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on March 20, 2018.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regards to the Agreement. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described in number 2 below.

1. **The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.**

The Agreement is with Cardinal Health, 200, LLC, a Delaware Limited Liability Company and RGH Enterprises, Inc., an Ohio Corporation. Cardinal Health, 200, LLC and RGH Enterprises, Inc. are the sole beneficiaries of the economic development subsidy.

Cardinal Health, 200, LLC  
7000 Cardinal Place  
Dublin, OH 43017

RGH Enterprises, Inc.  
7000 Cardinal Place  
Dublin, OH 43017

2. **The start and end dates and schedule, if applicable, for the economic development subsidy.**

If the Agreement is approved by the City Council, the start date of the economic development subsidy for the Retention Agreement will be for the period commencing April 1, 2018 and continue until terminated by either party pursuant to the Agreement.

The economic development subsidy will be paid quarterly (every 3 months), within 120 days of the end of each Computation Quarter. Computation Quarters run from January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

**3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.**

Pursuant to the terms of the proposed Retention and Operating Covenant Agreement, the operating covenant payment between the City and Cardinal Health is calculated based on Cardinal Health's sales tax revenue in an amount equal to the sum of fifty percent (50%) of Cardinal Health's sales tax revenues attributable to the location for each computation quarter during the eligibility period.

The operating covenant payment between the City and RGH Enterprises is calculated based on RGH Enterprises' sales tax revenue in an amount equal to the sum of fifty percent (50%) of RGH Enterprises' sales tax revenues attributable to the location in excess of the quarterly base sales tax amount (i.e. \$30,000 quarterly) for each computation quarter during the eligibility period.

**4. A statement of the public purposes for the economic development subsidy.**

Cardinal Health is a global retailer of healthcare services and products. The company currently operates a distribution and warehouse facility located at 4551 East Philadelphia Street. The former Ontario Redevelopment Agency and Cardinal Health entered into an Operating Covenant Agreement on April 18, 1990, which expired on December 31, 2017. Since the original agreement was signed, a subsidiary company of Cardinal Health, RGH Enterprises, has expanded into the City and currently leases a facility at 3980 East Earlstone Avenue. RGH Enterprises was never part of the original agreement with the Ontario Redevelopment Agency.

In light of Cardinal Health and RGH Enterprises' importance to the community, including job opportunities, staff recommends a Retention and Operating Covenant Agreement to incentivize Cardinal Health to remain in the City, continue and expand their operations.

As one of the City's top sales tax producers, the City is committed to preserving continued growth and prosperity, which is consistent with City Council goals to invest in the growth and evolution of the City's economy. Through the sales tax revenue received, the City is able to fund necessary public services and facilities, including but not limited to, public safety services and facilities, public improvement and recreation opportunities that otherwise may not be available to the community for many years. Through this Agreement, Cardinal Health and RGH Enterprises will be committed to retaining and operating their two facilities in the City for transacting sales.

The public purpose of the economic development subsidy includes, but is not limited to, maintaining and creating jobs and stimulating the economic recovery of the Inland Empire. The City has determined that the retention of the two facilities within the City

will continue to generate substantial revenue for the City, retain jobs, revitalize an area of the City which has suffered a loss of jobs and businesses during the economic downturn of the mid-2000's, and result in community and public improvements that might not otherwise be available to the community for many years. Additionally, by having companies like Cardinal Health and RGH Enterprises remain in the City, the City will be adding diversity to and generating new opportunities for economic growth.

Further, the commitment to stay in Ontario serves the additional public purpose of fostering a business and civic environment that may attract additional businesses and investment in the community due to the availability of the increased public and private services and economic activity resulting therefrom, thereby assisting the City in its goal of furthering the development of the community.

**5. The projected tax revenue to the local agency as a result of the economic development subsidy.**

The City anticipates that the retention of the distribution and showroom facility within the City will result in an approximate increase of sales tax revenue by \$1,000,000 per year, minus the covenant payments to be paid to Cardinal Health and RGH Enterprises, as set forth in number 2 above.

There will also be an increase in other taxes including business license tax and real property taxes, in an approximate amount of \$50,000.

**6. The estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.**

Cardinal Health covenants and agrees that entering into this Agreement will enable Cardinal Health to retain the existing workforce at the location subject to future market forces and create up to 20 additional jobs at the location during the term of the Agreement. RGH Enterprises covenants and agrees that entering into this Agreement will help enable RGH Enterprises to retain the existing workforce on the leased property subject to future market forces.