DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 31, 2013

Mr. Richard Teichert, Financial and Administrative Services Director
City of Moreno Valley
14177 Frederick Street
Moreno Valley, CA 92552

Dear Mr. Teichert:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Moreno Valley Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 4, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 30, 2013.

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 item being disputed.

- Item No. 6 – 2005 Lease Revenue Bond payment in the amount of $13 million. Finance continues to deny this item. During the Meet and Confer, the Agency provided documentation showing the former redevelopment agency's (RDA) intended responsibility for approximately $600,000 of the annual debt service payments. While annual budgets, staff reports, notes to the Comprehensive Annual Financial Reports, and historical activity support the intent and demonstrate prior practices, they do not specifically obligate the Agency going forward.

  During the Meet and Confer, the Agency also contended the July 5, 2005 Public Works Agreement (Agreement) by and between the City of Moreno Valley (City) and the Community Redevelopment Agency of the City of Moreno Valley met the exception defined in HSC section 34171 (d) (2) making this City/Agency agreement enforceable. HSC section 34171 (d) (2) makes certain City/Agency agreements enforceable if they were entered into at the time of issuance of indebtedness obligations and solely for the purpose of securing or repaying those indebtedness obligations. The unsigned Agreement provided by the Agency makes no mention of the 2005 Lease Revenue Bonds nor implies that the Agreement was entered into solely for the purpose of securing that debt. Therefore, this Agreement is not an enforceable obligation and this item is not eligible for Redevelopment Property Tax Trust Fund funding.

In addition, per Finance's ROPS letter dated April 18, 2013, the following items continue to be reclassified and were not contested by the Agency:

- Items Nos. 8, 9, and 12 – Various contracts totaling $56,500. These items are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to $181,500, the administrative cost allowance for fiscal year 2013-14 has not been exceeded.

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $2,172,457 as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	2,589,506
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 6		184,699
Item 8*		36,000
Item 9*		18,000
Item 12*		2,500
Total approved RPTTF for enforceable obligations	$	2,348,307
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		181,500
Minus: ROPS II prior period adjustment		(357,350)
Total RPTTF approved for distribution:	**$**	**2,172,457**

*Reclassified as administrative cost

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

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 Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Barry Foster, Economic Development Director, City of Moreno Valley
Ms. Pam Elias, Chief Accountant Property Tax Division, County of Riverside Auditor-Controller
California State Controller's Office