



November 15, 2013

Ms. Annie Clark, Senior Financial Analyst
City of Moreno Valley
14177 Frederick Street
Moreno Valley, CA 92552

Dear Ms. Clark:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Moreno Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 1, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 11 – Although enforceable, payment for annual auditing services in the amount of \$15,000 is considered general administrative costs and has been reclassified.
- Administrative costs claimed for Redevelopment Property Tax Trust Fund (RPTTF) exceed the allowance by \$71,500. HSC section 34171 (b) limits the 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater.

Allowable administrative cost amount for fiscal year 2013-14	\$250,000
Administrative costs distributed for July through December 2013	\$181,500
Administrative costs claimed for January through June 2014	\$140,000
Overage	\$ 71,500

During our review, Finance noted that the Agency has not been submitting its oversight board actions to Finance pursuant to HSC section 34179 (h). Specifically, for Item No. 84 – IRS Repayment Agreement, Agency provided a loan agreement between the Agency and the City of Moreno (City) dated September 24, 2013. However, the Oversight Board Resolution 2013-07 authorizing the agreement was provided to Finance after our request. Although, Finance reviewed the OB resolution during the ROPS review to complete its review of the enforceable obligations, the Agency should submit all Agency OB resolutions as prescribed by Finance.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments)

associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part as an enforceable obligation and for the item that was reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is \$4,050,710 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	4,026,799
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 4,151,799
Total RPTTF requested for non-administrative obligations	4,026,799
<u>Reclassified Items</u>	
Item No. 11	(15,000)
Total RPTTF approved for non-administrative obligations	4,011,799
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 11	15,000
Total RPTTF for administrative obligations	140,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	68,500
Total RPTTF approved for obligations	4,080,299
ROPS III prior period adjustment	(29,589)
Total RPTTF approved for distribution	\$ 4,050,710

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,348,307
Total RPTTF for 13-14B (January through June 2014)	4,011,799
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	6,360,106
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	181,500
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	68,500

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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 Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Richard Teichert, Chief Financial Officer/City Treasurer, City of Moreno Valley
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office