



November 22, 2013

Mr. Michael McDermott, RDA EDA Manager  
City of Perris  
101 N D St  
Perris, CA 92570

Dear Mr. McDermott:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Perris Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 08, 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. 20 – Perris Community Economic Development Corporation (CEDC) Funding in the amount of \$6,900,000 of Bond Proceeds. A Finding of Completion was issued on June 20, 2013 and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, the Agency requested 100 percent of the total obligation and was not able provide supporting that the amounts requested will be expended during ROPS 13-14B period. HSC section 34177 (l) (3) states that the Recognized Obligation Payment Schedule shall be forward looking to the next six months. Therefore, the request to use \$6,900,000 of bond funds is not approved at this time.
- Item No. 21 – Unfunded approved RPTTF from ROPS 13-14A in the amount of \$125,000. During our review, the Agency informed us that the requested unfunded amount should be \$18,729 excluding the \$125,000 administrative allowance that was initially included in the request. Therefore, the requested RPTTF funding has been adjusted by \$125,000 to \$18,729.

In order to ensure consistency for this and future ROPS reviews, Finance has made the following corrections on the ROPS form that was submitted by the Agency. The Agency confirmed that they do not expect expenditure for these items in future; therefore, the following items are marked as retired after the corrections were made.

- Item No. 12 – Perris Station Apartments. The Item was omitted on ROPS 13-14B, however, it was reported on prior ROPS. Therefore, Finance has added it back on the ROPS as Item No. 12.

- Item No. 13 – Past Pass Thru Payment Errors. The Item was omitted on ROPS 13-14B, however, it was reported on prior ROPS. Therefore, Finance has added it back on the ROPS as Item No. 13.
- Item No. 14 – Housing Staff. The Item was denied on prior ROPS and the Agency deleted it from ROPS 13-14B. Therefore, Finance has added it back as Item No.14.
- Item No. 16 – P-Town Boxing Club. The Item was denied on prior ROPS and the Agency deleted it from ROPS 13-14B. Therefore, Finance has added it back as Item No.16.
- Item No. 17 – Big League Dreams. The Item was denied on prior ROPS and the Agency deleted it from ROPS 13-14B. Therefore, Finance has added it back as Item No.17.
- Item No. 19 – Mercado Phase Two. The Item was omitted on ROPS 13-14B; however, it was reported on prior ROPS. Therefore, Finance has added it back on the ROPS as Item No. 19.

For funding sources other than RPTTF, Finance made adjustments to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Agency's Prior Period Adjustment form the following adjustments were made:

- Item No. 12 – Perris Station Apartments in the amount of zero should be \$175,000. Finance authorized \$175,000 of LMIHF funds; however, Agency did not report the authorized amount of LMIHF funds. Therefore, Finance adjusted the authorized amount from zero to \$175,000 to reflect the correct authorized amount.
- Item No. 15 – Attorney Fees in the amount of \$30,000 should be \$60,000. Finance authorized \$60,000 of bond proceeds; however, the Agency reported the authorized amount of \$30,000. Therefore, Finance increased the authorized amount by \$30,000.

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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,387,586 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	2,262,586
Total RPTTF requested for administrative obligations	250,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 2,512,586</b>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>2,262,586</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>250,000</b>
<u>Denied Items</u>	
Item No. 21	(125,000)
<b>Total RPTTF for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF approved for obligations</b>	<b>2,387,586</b>
ROPS III prior period adjustment	-
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,387,586</b>

Pursuant to HSC section 34177 (l) (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 Belmudez, City Manager, City of Perris  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
California State Controller's Office