



November 8, 2013

Mr. Christopher Hans, Chief Deputy County Executive Officer
Riverside County
3403 10 Street, Suite 300
Riverside, CA 92501

Dear Mr. Hans:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Riverside County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 26, 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. 14 – Coachella Valley Association of Governments (CVAG) reimbursement in the amount of \$188,000. The agreement, entered into on December 5, 1995, is between the County of Riverside (County) and CVAG. The former redevelopment agency (RDA) is not a party to the agreement. Therefore, this line item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 79 through 87 and 93 – Mission Plaza bond funded projects totaling \$3,491,400 for the ROPS 13-14B period. HSC section 34177.3 (a) prohibits the Agency from creating new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. Therefore, these items are not enforceable obligations at this time for the following reasons:
 - Item Nos. 79 and 80 – Contract performance term has expired.
 - Item No. 81 – Contract was amended after June 27, 2011.
 - Item Nos. 82, 86, 87, and 93 – Costs will not occur until onsite and offsite construction work begins.
 - Item Nos. 83 to 85 – No contract has been executed.

Pursuant to HSC section 34191.4 (c), your request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Item Nos. 254 and 256 – Perris Valley Aquatic Center professional services totaling \$8,000. Finance previously denied these items as enforceable obligations. According to the Agency, funding was inadvertently requested. Therefore, these items are not eligible for bond proceeds funding.
- Claimed administrative costs exceed the allowance by \$61,036. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$1,972,723 in administrative expenses during fiscal year 2013-14. Of this amount, \$958,827 was distributed during ROPS 13-14A period.

Furthermore, Item No. 26 for COWCAP and Oasis Fees in the amount of \$56,520 is considered administrative expense and was reclassified. Therefore, the \$1,074,932 claimed for administrative costs exceeds the remaining \$1,013,896 of administrative cost allowance by \$61,036.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. During Finance's review of the Agency's Fund Balances form review, Agency provided financial records that displayed available reserve balances totaling \$2,050,710 in miscellaneous revenue received during the January through June 2013 period. Therefore, the Agency has agreed to reclassify \$2,050,710 in RPTTF requested to reserve balance for the items specified below:

- Item No. 18 – Professional services contract in the amount of \$17,500. Finance is reclassifying \$14,612 of the total requested amount to reserve balance and approving RPTTF for the balance of \$2,888 for the ROPS 13-14B period.
- Item No. 20 – Professional services contract in the amount of \$35,000. Finance is reclassifying the full amount requested to reserve balance for the ROPS 13-14B period.
- Item No. 37 – 2004 Housing Bond Series A-T in the amount of \$2,001,098. Finance is reclassifying the full amount requested to reserve balance for the ROPS 13-14B period.

Further, Finance made adjustments to the Fund Balances Form and the Prior Period Adjustments Form based on our review and information provided by the Agency. Please see Attachment A and Attachment B for itemized adjustments made by Finance.

Finance also identified that the Agency did not report housing fund cash balances retained during the Low and Moderate Income Housing Fund (LMIHF) DDR. Financial records provided by the Agency, as of December 31, 2012, showed a balance of \$22,038,697 in Fund 25000 – Successor Agency Housing Set Aside and \$1,388,974 in Fund 40610 - Low and Moderate Income Housing Asset Fund. According to the Agency, Fund 40610 cash balance was not reported because it is a Housing Successor Agency fund. Fund 25000 cash balance was not reported because the Agency transferred the cash to the Housing Successor Agency after remitting the LMIHF DDR balance due to the County-Auditor Controller. Finance did not authorize the Agency to transfer LMIHF DDR balances retained to the Housing Successor Agency. Due to timing, Finance was unable to properly resolve the Agency's exclusion and

transfer of housing fund cash balances. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period regarding this matter.

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. Although the CAC submitted an audit of the Agency's self-reported prior period adjustments, Finance determined that additional adjustments were required. Therefore, the amount of RPTTF approved in the below table includes the prior period adjustments resulting from Finance's adjustments to the Agency's self-reported prior period adjustments, see Attachment A for detail.

Except for items denied in whole or in part as enforceable obligations or for items that have been 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 \$30,573,067 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	33,947,061
Total RPTTF requested for administrative obligations	1,018,412
Total RPTTF requested for obligations	\$ 34,965,473
Total RPTTF requested for non-administrative obligations	33,947,061
<u>Denied Items</u>	
Item No. 14	(94,000)
<u>Reclassified Items - RPTTF to Admin</u>	
Item No. 26	(56,520)
Total RPTTF for non-administrative obligations before reclassifying	33,796,541
<u>Reclassified Items - RPTTF to Reserve Balance</u>	
Item No. 18	(14,612)
Item No. 20	(35,000)
Item No. 37	(2,001,098)
	(2,050,710)
Total RPTTF approved for non-administrative obligations	31,745,831
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	1,013,896
Total RPTTF approved for obligations	32,759,727
Self-Reported ROPS III prior period adjustment (PPA)	(8,756,007)
Adjustment to ROPS III PPA	6,569,347
Total ROPS III PPA	(2,186,660)
Total RPTTF approved for distribution	\$ 30,573,067
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	31,960,907
Total RPTTF for 13-14B (January through June 2014) ¹	33,796,541
Total RPTTF for fiscal year 2013-14	65,757,448
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	1,972,723
Administrative allowance for 13-14A (July through December 2013)	958,827
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	1,013,896

¹ - RPTTF balance used is total RPTTF for non-administrative obligations prior to the \$2,050,710 RPTTF reclassification to reserve balance.

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_13-14B_Forms_by_Successor_Agency/)

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 (j). 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: Ms. Rohini Dasika, Senior Management Analyst, Riverside County
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office

Attachment A: Finance Adjustments to Fund Balances Form

- Line 1 - Beginning Available Fund Balance (Actual 01/01/13)
 - Bonds Issued on or before December 31, 2010 (Column C) – Balance increased by \$21,910,185 to account for restricted bond reserves.
 - Bonds Issued on or after December 31, 2010 (Column D) – Balance increased by \$8,068,343 to account for restricted bond reserves.
 - Due Diligence Review Balances Retained for Approved Enforceable Obligations (Column E) – Balance increased by \$2,591,036 to account for balance retained for Line 10 that was not reported in the beginning balance.

- Line 2 – Revenue/Income (Actual 06/30/13)
 - RPTTF Non-Admin (Column H) – Balance reduced by \$31,960,907, which was the ROPS 13-14A RPTTF Non-Admin distributed amount, and moved to Line 8.
 - RPTTF Admin (Column I) – Balance reduced by \$958,827, which was the ROPS 13-14A RPTTF Admin distributed amount, and moved to Line 8.

- Line 3 – Expenditure for ROPS III Enforceable Obligations (Actual 06/30/13)
 - RPTTF Non-Admin (Column H) – Balance reduced by \$279,277 to reflect Finance's ROPS III Prior Period Adjustment (PPA) made for Item No. 27, see Attachment B for detail.
 - RPTTF Admin (Column I) – Balance increased by \$279,277 to reflect Finance's ROPS III PPA made for Item No. 27, see Attachment B for detail.

- Line 4 – Retention of Available Fund Balance (Actual 06/30/13)
 - Bonds Issued on or before December 31, 2010 (Column C) – Balance increased by \$24,279,253 to account for \$21,910,185 in restricted bond reserves adjusted for in Line 1 and \$2,368,068 in bond expenditures recorded as a payable and paid after ROPS III period that was originally reported under Column E.
 - Bonds Issued on or after December 31, 2010 (Column D) – Balance increased by \$11,235,004 to include \$8,068,343 in restricted bond reserves and \$3,166,661 in bond expenditures recorded as a payable and paid after ROPS III period that was originally reported under Column E.
 - Due Diligence Review Balances Retained for Approved Enforceable Obligations (Column E) – Retained amount of \$5,534,729 is moved to Columns C and D, as noted in the two bullets above.

- Line 5 – ROPS III Prior Period Adjustment
 - RPTTF Non-Admin (Column H) – Balance reduced by \$6,290,070 to reflect Finance's adjustments to Agency's self-reported ROPS III PPA, see Attachment B for detail.
 - RPTTF Admin (Column I) – Balance reduced by \$279,277 to reflect Finance's adjustments to Agency's self-reported ROPS III PPA, see Attachment B for detail.

- Line 8 – Revenue/Income (Estimate 12/31/13)
 - Bond Proceeds, Reserve Balance, and Other (Columns C, D, E, and G) – Finance requested Agency to complete these columns during ROPS review. Agency reported estimated revenue of \$15,000, \$50,000, \$1,000,000, and \$10,000, respectively.

- RPTTF Non-Admin (Column H) – Balance increased by \$31,960,907 to account for ROPS 13-14A RPTTF Non-Admin distributed amount that was originally reported under Line 2.
- RPTTF Admin (Column I) – Balance increased by \$958,827 to account for ROPS 13-14A RPTTF Admin distributed amount that was originally reported under Line 2.
- Line 9 – Expenditure for 13-14A Enforceable Obligations (Estimate 12/31/13)
 - Bonds Issued on or before December 31, 2010 (Column C) – Finance increased the Agency's balance of \$15,515,846 by \$2,368,068 to account for ROPS III bond expenditures paid after 6/30/13 as noted under Line 4.
 - Bonds Issued on or after December 31, 2010 (Column D) – Finance increased the Agency's balance of \$10,352,706 by \$3,166,661 to account for ROPS III bond expenditures paid after 6/30/13 as noted under Line 4.
 - RPTTF balances retained for bond reserves (Column F) – Finance increased the Agency's reported balance of \$7,400,000 by \$335,000 to account for the correct bond reserve balance allowed to be retained during ROPS III as noted under Line 4.
 - RPTTF Non-Admin (Column H) – Finance decreased the Agency's reported balance of \$31,960,907 by \$335,000 to account for the bond reserve amount authorized for Item No. 2.
 - Reserve Balance and RPTTF (Columns E and I) – Finance requested agency to complete these columns during ROPS review. Agency's reported estimated expenditures of \$9,254,629 and \$958,827, respectively. Amounts agree to Finance authorized amounts for ROPS 13-14A period.
- Line 10 – Retention of Available Fund Balance (Estimate 12/31/13)
 - Bonds Issued on or before December 31, 2010 (Column C) – Balance should be \$21,910,185 to include only restricted bond reserves. Therefore, it was adjusted by \$21,459,271.
 - Bonds Issued on or after December 31, 2010 (Column D) – Balance should be \$8,068,343 to include only restricted bond reserves. Therefore, it was adjusted by \$34,040,665.
 - Due Diligence Review Balances Retained for Approved Enforceable Obligations (Column E) – Of the reported retained balance of \$12,373,050, the following items totaling \$8,738,591 is eligible for retention. Therefore, the balance was adjusted by \$3,634,459.
 - \$4,090,845 for ROPS 13-14B authorized reserve balance funding.
 - \$2,050,710 in additional ROPS 13-14B reserve balance funding authorized through RPTTF reclassification noted above.
 - \$2,597,036 in disputed Low and Moderate Income Housing Fund DDR balance disallowed to be retained by Finance, in which Agency is in litigation for.
 - RPTTF balances retained for bond reserves (Column F) – The balance of \$335,000 was allowed to be retained under RPTTF Non-Admin, Column H to reflect the correct funding source authorized during ROPS 13-14A. Therefore, it was adjusted by \$335,000.
 - Other (Column G) – Finance did not allow Agency to retain its reported balance of \$43,930. Due to the nominal amount, Finance did not require Agency to reclassify ROPS 13-14B RPTTF to other funding. However, Agency should

ensure other funding sources are used prior to the use of RPTTF on the future ROPS.

- RPTTF Non-Admin (Column H) – Of the Agency's reported retained balance of \$8,162,009, Finance allowed \$335,000 to be retained for RPTTF authorized as bond reserves for Item No. 2 during ROPS 13-14A. Therefore, the retained balance was adjusted by \$8,106,286.
- RPTTF Admin (Column I) – The balance should be zero and was adjusted by \$570,946. After Finance adjustments, the remaining balance at the end of ROPS 13-14A was \$6,196, which is the ROPS III PPA amount to be applied towards Agency's ROPS 13-14B RPTTF disbursement.

Attachment B: Finance Adjustments to Prior Period Adjustments Form

	RPTTF Non-Admin Difference	RPTTF Admin Difference	Net RPTTF Non-Admin and Admin PPA
Agency Self-Reported	\$8,470,534	\$285,473	\$8,756,007
Finance Adjustment	\$2,180,464	\$6,196	\$2,186,660

Item No	Project Name / Debt Obligation	Agency Self-Reported	Finance	Comments
1	2004 Tax Allocation Rev Bonds	1,425,000		Amount was authorized as reserve for subsequent ROPS bond payment that should be reported as expenditures.
2	2005 Tax Allocation Rev Bonds	2,735,000		Amount was authorized as reserve for subsequent ROPS bond payment that should be reported as expenditures.
24	Professional Services	47,500		RPTTF Non-Admin not authorized, item was reclassified to RPTTF Admin during ROPS III.
25	Legal Counsel	120,000		RPTTF Non-Admin not authorized, item was reclassified to RPTTF Admin during ROPS III.
27	Board Ancillary Fees		(279,777)	Item was reclassified to admin during ROPS III.
31	Oversight Board Legal Expenses	37,500		RPTTF Non-Admin not authorized, item was reclassified to RPTTF Admin during ROPS III.
37	2004 Hsg Bond Series A-T	1,240,000		Amount authorized as reserve for subsequent ROPS bond payment that should be reported as expenditures.
38	2005 Hsg Bond Series A	455,000		Amount authorized as reserve for subsequent ROPS bond payment that should be reported as expenditures.
40	2010 Hsg Bond Series A-T	900,000		Amount authorized as reserve for subsequent ROPS bond payment that should be reported as expenditures.
42	2011 TA Hsg Bonds Series A-T	980,000		Amount authorized as reserve for subsequent ROPS bond payment that should be reported as expenditures.
76	Property Maintenance Management Staff		60,000	Authorized RPTTF Non-Admin amount not used.
130	Property Maintenance Management Staff		37,500	Authorized RPTTF Non-Admin amount not used.
154	Property Maintenance Management Staff		60,000	Authorized RPTTF Non-Admin amount not used.
184	Airport Boulevard Railroad Grade Separation Improvement Project		1,454,930	Unauthorized RPTTF Non-Admin expenditure.
195	Property Maintenance Management Staff		37,500	Authorized RPTTF Non-Admin amount not used.
254	Perris Valley Aquatic Center	Unauthorized bond expenditure noted.		
255	Perris Valley Aquatic Center	Unauthorized bond expenditure noted.		
256	Perris Valley Aquatic Center	Unauthorized bond expenditure noted.		