DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. ▪ GOVERNOR
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November 8, 2013

Mr. Emilio Ramirez, Development Director
Riverside City
3900 Main Street, 3rd Floor
Riverside, CA 92522

Dear Mr. Ramirez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Riverside City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 27, 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 18 – AutoCtr Business Improvement District in the amount of $800,000. Finance continues to deny this item. HSC 34178 (a) states that a successor agency or an oversight board shall not exercise the powers granted by this subdivision to restore funding for an enforceable obligation that was deleted or reduced by the Department of Finance pursuant to subdivision (h) of Section 34179 unless it reflects the decisions made during the meet and confer process with the Department of Finance or pursuant to a court order. This item was also denied with Other Funds and Accounts (OFA) Due Diligence Review (OFA) Meet and Confer determination letter dated April 26, 2013. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 16, 28, and 156 – Bond funded projects in the amount of $11,519,000. A Finding of Completion was issued on April 17, 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 for each project. HSC section 34177 (l) (3) states that the Recognized Obligation Payment Schedule shall be forward looking to the next six months. The Agency agreed that the requests were for more than a six-month period and sent a revised schedule of estimated costs for the six months of $5,040,000. Therefore, the total bond funding for these items has been adjusted by $6,479,000 from the original requested amount of $11,519,000 to $5,040,000.

- Item Nos. 84 and 87 through 91 – City loans in the amount of $4,778, 564. The Agency received a Finding of Completion on April 17, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan or deferral repayments shall not be made prior to fiscal year 2013-14. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of these City loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

  HSC section 34191.4 (b) (2) (A) allows maximum repayment amount in each fiscal year to be equal to one-half of the increase between the ROPS residual amounts distributed to the taxing entities in that fiscal year and the ROPS residual amounts distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for RPTTF funding at this time.

- Item Nos. 188, 189, and 190 – Pending litigation costs for the University Avenue, Downtown Fox Plaza and Arlington Auto Center BID in the amount of $300,000. The Agency was unable to provide documentation to support this obligation. Therefore, the amount requested is not eligible for RPTTF funding at this time.

- Administrative costs claimed for RPTTF exceed the allowance by $158,357. 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	$778,255
Administrative costs distributed for July through December 2013	$396,094
Administrative costs claimed for January through June 2014	$540,518
Overage	$158,357

Finance made the following adjustments based on our review of the Fund Balances form and information provided in the October 17, 2013 and November 6, 2013 email from the Agency. These adjustments have no effect on Agency's RPTTF request.

- Beginning Available Fund Balance (Actual 01/01/13) – Bonds Issued on or before December 31, 2010 in the amount of $21,604,926 should be $30,955,954. Therefore, this amount has been increased by $9,351,028.

- Beginning Available Fund Balance (Actual 01/01/13) – Due Diligence Review balances Retained for Approved Enforceable Obligations in the amount of $566,016 should be $4,881,507. Therefore, this amount has been increased by $4,315,491.

- Beginning Available Fund Balance (Actual 01/01/13) – Rents, Grants, Interest in the amount of $15,953 should be $1,609,205. Therefore, this amount has been increased by $1,593,252.

- Beginning Available Fund Balance (Actual 01/01/13) – RPTTF Non-Admin in the amount of $6,153,807 should be $245,063. Therefore, this amount has been adjusted by $5,908,744.

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 items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. Finance acknowledges the trial court's judgment in City of Riverside v. Matosantos, Case No. 34-2013-80001421. However, the judgment is stayed pending Finance's appeal of that judgment, and thus, did not impact the above decisions. 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 $11,779,406 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	18,017,266
Total RPTTF requested for administrative obligations	540,518
Total RPTTF requested for obligations	**$ 18,557,784**
Total RPTTF requested for non-administrative obligations	**18,017,266**
Denied Items	
Item No. 18	(200,000)
Item No. 84	(338,945)
Item No. 87	(164,911)
Item No. 88	(45,018)
Item No. 89	(29,757)
Item No. 90	(199,933)
Item No. 91	(4,000,000)
Item No. 188	(100,000)
Item No. 189	(150,000)
Item No. 190	(50,000)
	(5,278,564)
Total RPTTF approved for non-administrative obligations	**12,738,702**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**382,161**
Total RPTTF approved for obligations	**13,120,863**
ROPS III prior period adjustment	(1,341,457)
Total RPTTF approved for distribution	**11,779,406**

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	13,203,125
Total RPTTF for 13-14B (January through June 2014)	12,738,702
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	**25,941,827**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)	778,255
Administrative allowance for 13-14A (July through December 2013)	396,094
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**382,161**

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/.

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. Al Zelinka, Community Development Director, Riverside City
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office