

May 16, 2014

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

Dear Ms. Clark:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 11, 2014. 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 14-15A) to Finance on February 27, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 11, 2014. 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 5, 2014.

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 items being disputed.

- Item No. 5 – 2011 Refunding of 97 LRB Bonds in the amount of \$1,200,000. Finance continues to deny this item. As previously determined, the 2011 Lease Agreement (Agreement) is between the Moreno Valley Public Financing Authority (Authority) and the City of Moreno Valley (City) for the purpose of defeasing and refunding the 1997 Bonds. Furthermore, the Project Lease Reimbursement Agreement dated January 27, 1998 between the Agency and the City was not entered into at the same time as the bonds. HSC section 34171 (d) (2) states an agreement between the City and the Agency are not enforceable obligations unless it was entered into before December 31, 2010 and solely for the purpose of repaying indebtedness. Therefore, this item is not considered Agency's obligation and is not eligible for RPTTF funding.

We note that the Agency received a Finding of Completion on May 24, 2013; however, the additional documentation provided by the Agency during the meet and confer does not establish this item as an outstanding loan obligation of the Agency.

- Item No. 83 – Publics Works Agreement in the amount of \$9,100,000. Finance continues to deny this item. The Agency still has not provided a fully executed loan agreement between the RDA and the City for this item. Furthermore, the Agreement does not include repayment terms. HSC section 34171 (d) (B) defines enforceable obligations as loans of moneys borrowed by the redevelopment agency for a lawful

purpose, to the extent they are legally required to be repaid pursuant to a required schedule or other mandatory loan terms. Therefore, as previously determined, the request for \$600,000 is not an enforceable obligation.

In addition, per Finance's letter dated April 11, 2014, we continue to make the following adjustment not contested by the Agency during the Meet and Confer:

- Item No. 84 – Agency Loan in the amount of \$674,369. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The Agency used 0.3860 percent rate to calculate the interest on the loan. However, the accumulated interest on the loan should be recalculated using the quarterly LAIF interest rate at the time when the Agency's Oversight Board makes a finding the loan was for legitimate redevelopment purposes.

Finance has recalculated the total loan outstanding to be approximately \$666,663 and has reduced the Agency's stated outstanding loan balance by \$7,707. As a result of the adjusted loan balance, the Agency's current ROPS request is being reduced by \$7,707, to only allow the funds necessary to retire this obligation.

- Item No. 86 – Housing Entity Administrative Cost Allowance per AB 471 Project in the amount of \$600,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Moreno Valley (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, \$600,000 of housing entity administrative allowance is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below 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, Finance is not objecting to the remaining items listed on your ROPS 14-15A.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,254,377 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	3,042,215
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,167,215
Total RPTTF requested for non-administrative obligations	3,042,215
<u>Denied Items</u>	
Item No. 5	(75,000)
Item No. 83	(600,000)
Item No. 84	(7,707)
Item No. 86	(150,000)
	(832,707)
Total RPTTF authorized for non-administrative obligations	\$ 2,209,508
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,334,508
ROPS 13-14A prior period adjustment (PPA)	(80,131)
Total RPTTF approved for distribution	\$ 2,254,377

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 section 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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