



April 4, 2014

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 14-15A) to the California Department of Finance (Finance) on February 20, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 Nos. 79 through 87, 99, 377, and 378 – Various projects totaling \$10,816,400 of bond proceeds. These items are previously denied items. HSC section 34163 (b) prohibits an agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded. Pursuant to HSC section 34191.4 (c), Agency's request to use bond funds for these obligations may be permitted once the Agency receives a finding of completion from Finance.
- Item No. 382 – Housing Successor Administrative Cost allowance in the amount of \$264,142. Pursuant to HSC section 34177 (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 County of Riverside (County) is the County-formed Housing Authority (Authority), and the Authority operates under the control of the County, the Authority is considered the County under Dissolution Law. Therefore, \$264,142 of housing entity administrative allowance is not eligible for Redevelopment Property Tax Trust Fund funding.

Our review indicates that the Agency reused Item No. 376 that was assigned to the 99 Cents Façade Construction project which was retired on ROPS 13-14B. Once an item is retired, they will not show up on future ROPS form but the item number will continue to be assigned to that

specific retired obligation indefinitely. Therefore, with the Agency's concurrence, Finance has renumbered Item Nos. 376 through 381 to 377 through 382.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should 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. The Agency provided financial records that displayed available Reserve Balances totaling \$16,397,591.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified from RPTTF Non-Admin to Reserve Balances in the amounts specified below:

| Item No. | Project Name/Debt Obligation | Non-Admin RPPTF Requested | Reclassified to Reserves |
|----------|-----------------------------------|---------------------------------|-----------------------------|
| 1 | 2004 Tax Allocation Revenue Bonds | \$ 2,249,038 | \$ 2,249,038 |
| 2 | 2005 Tax Allocation Revenue Bonds | 3,225,794 | 3,225,794 |
| 3 | 2006 TARB Series A | 3,445,216 | 3,445,216 |
| 8 | 2010 TARB Series D | 2,162,003 | 2,162,003 |
| 10 | 2011 TARB Series D | 320,863 | 320,863 |
| 13 | CORAL - Bellegrave | 128,850 | 128,850 |
| 36 | 2004 Hsg Bonds Series A | 945,313 | 945,313 |
| 37 | 2004 Hsg Bonds Series A-T | 701,098 | 701,098 |
| 38 | 2005 Hsg Bond Series A | 342,953 | 342,953 |
| 39 | 2010 Hsg Bonds Series A | 476,550 | 476,550 |
| 40 | 2010 Hsg Bonds Series A-T | 1,787,163 | 1,787,163 |
| 41 | 2011 Hsg Bonds Series A | 234,413 | 234,413 |
| 42 | 2011 TA Hsg Bonds Series A-T | 377,025 | 377,025 |
| | Total | \$ 16,396,279 | \$ 16,396,279 |

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 item 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 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$9,851,895 as summarized below:

| Approved RPTTF Distribution | |
|--|----------------------|
| For the period of July through December 2014 | |
| Total RPTTF requested for non-administrative obligations | 26,414,210 |
| Total RPTTF requested for administrative obligations | 1,056,568 |
| Total RPTTF requested for obligations | \$ 27,470,778 |
| | |
| Total RPTTF requested for non-administrative obligations | 26,414,210 |
| <u>Cash Balances - Items reclassified to other funding sources</u> | |
| Item No. 1 | (2,249,038) |
| Item No. 2 | (3,225,794) |
| Item No. 3 | (3,445,216) |
| Item No. 8 | (2,162,003) |
| Item No. 10 | (320,863) |
| Item No. 13 | (128,850) |
| Item No. 36 | (945,313) |
| Item No. 37 | (701,098) |
| Item No. 38 | (342,953) |
| Item No. 39 | (476,550) |
| Item No. 40 | (1,787,163) |
| Item No. 41 | (234,413) |
| Item No. 42 | (377,025) |
| | (16,396,279) |
| Total RPTTF authorized for non-administrative obligations | \$ 10,017,931 |
| | |
| Total RPTTF requested for non-administrative obligations | 1,056,568 |
| <u>Denied Item</u> | |
| Item No. 382 | (264,142) |
| Total RPTTF authorized for administrative obligations | \$ 792,426 |
| | |
| Total RPTTF authorized for obligations | \$ 10,810,357 |
| ROPS 13-14A prior period adjustment | (958,462) |
| Total RPTTF approved for distribution | \$ 9,851,895 |

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

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

Absent a Meet and Confer, 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

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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.

Please direct inquiries to Beliz Chappuie, Supervisor or Susana Medina-Jackson, 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