



November 13, 2014

Mr. Jason Simpson, Director of Administrative Services  
City of Lake Elsinore  
130 South Main Street  
Lake Elsinore, CA 92530

Dear Mr. Simpson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lake Elsinore Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 29, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 20 – Housing Fund Loan in the amount of \$26,642,210 is not allowed. The Agency is requesting Redevelopment Property Tax Trust Funds (RPTTF) for three interfund loans for Project Area I, Project II, and Project III from Low and Moderate Income Housing Fund. The Agency was not able to provide sufficient documentation to support the amount requested. To the extent the Agency can provide suitable documentation, such as the interfund loan agreements and demonstrate the Agency's obligation to repay the Housing Fund Loan, the Agency may be able to obtain RPTTF on future ROPS. As a result, this line item is not considered an enforceable obligation and is not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$41,001. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Riverside Auditor-Controller's Office distributed \$166,004 administrative costs for the July through December 2014 period, thus leaving a balance of \$136,975 available for the January through June 2015 period. Although \$177,975 was claimed for administrative cost, only \$136,975 is available pursuant to the cap. Therefore, \$41,001 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period (ROPS 13-14B). 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 review of the Agency's self-reported prior period adjustment and Finance's proposed changes to it. Finance noted that for Item Nos. 1, 2, 3, 4, 5, the Agency did not include the bond reserves approved and funded for each item in RPTTF Expenditures, Non-Admin, Actual column. Since these funds are encumbered for the ROPS13-14B period, the reserves funded should be included under the Non-Admin, Actual column. After including the bond reserve amounts, the Agency's prior period adjustment would be reduced from \$1,364,769 to \$19,769. Therefore, the Agency should work with CAC to resolve the PPA differences.

Except for the item denied in whole or in part or Finance adjustments to the Prior Period Adjustment page, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,683,066 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	5,932,522
Total RPTTF requested for administrative obligations	177,976
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 6,110,498</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>5,932,522</b>
<b>Denied Item</b>	
Item No. 20	(1,366,662)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 4,565,860</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>177,976</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(41,001)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 136,975</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 4,702,835</b>
ROPS 13-14B prior period adjustment (PPA)	(1,364,769)
Proposed Finance adjustment to Item No. 1	162,500
Proposed Finance adjustment to Item No. 2	295,000
Proposed Finance adjustment to Item No. 3	595,000
Proposed Finance adjustment to Item No. 4	242,500
Proposed Finance adjustment to Item No. 5	50,000
Total ROPS 13-14B PPA	(19,769)
<b>Total RPTTF approved for distribution</b>	<b>\$ 4,683,066</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	5,533,450
Total RPTTF for 14-15B (January through June 2015)	4,565,860
Less approved unfunded obligations from prior periods	0
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>10,099,310</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	302,979
Administrative allowance for 14-15A (July through December 2014)	166,004
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>136,975</b>
Total RPTTF administrative obligations originally requested	177,976
<b>Administrative costs in excess of the cap</b>	<b>\$ 41,001</b>

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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.

Mr. Jason Simpson  
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Please direct inquiries to Beliz Chappuie, Supervisor or Satveer Ark, Lead Analyst at  
(916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Mr. Grant Yates, Executive Director, City of Lake Elsinore  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
California State Controller's Office