DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2014

Ms. Lori Stone, Executive Director
March Joint Powers Authority
23555 Meyer Drive
Riverside, CA 92518

Dear Ms. Stone:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 12, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the March Joint Powers Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on October 1, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 12, 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 November 24, 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 Nos. 9 through 13 – March Joint Powers Authority loan repayments in the amount of $1,250,000. Finance continues to deny these items at this time. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

  The Agency received a Finding of Completion on June 7, 2013. However, the oversight board has not approved the loans or made a finding the loans were for legitimate redevelopment purposes. Therefore, these items are not eligible for funding at this time.

  During the Meet and Confer process, the Agency contended that the requirements of HSC section 34191.4 (b) are inapplicable since these operating advances were not denied in prior ROPS. However, any previous determinations made on prior ROPS are only applicable for the six-month period covered by the approved ROPS, unless items have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). These items have not received a Final and Conclusive determination. It is our understanding that five operating advances of various amounts

were originally made between 2007 and 2010 from the March Joint Powers Authority (JPA) to the former RDA to implement the Economic Development Conveyance Agreement that was entered into between the former RDA and the United States Air Force. The Agency is now seeking to reimburse the March JPA for the advances that were made.

Based on further review of the advances during the ROPS 14-15B period, Finance has determined that these items are not enforceable obligations pursuant to HSC section 34171 (d) (2), which states that agreements, contracts, or arrangements between the sponsoring entity that created the former RDA and the former RDA are not enforceable obligations unless they were entered into within two years of the date of creation of the RDA, or solely for the purpose of securing or repaying indebtedness obligations may be deemed to be enforceable obligations. These advances do not meet the exceptions stated in HSC section 34171 (d) (2) for enforceable obligations; therefore, the requirements of HSC section 34191.4 (b) are applicable.

Pursuant to HSC section 34191.4 (b), once the oversight board approves the loans as an enforceable obligations by finding the loans were for legitimate redevelopment purposes and the corresponding OB action is approved by Finance, the Agency may request funding for these items on future ROPS.

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. 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.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is $1,335,023 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		2,460,023
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**2,585,023**
Total RPTTF requested for non-administrative obligations		**2,460,023**
Denied Items		
Item No. 9		(250,000)
Item No. 10		(250,000)
Item No. 11		(250,000)
Item No. 12		(250,000)
Item No. 13		(250,000)
		(1,250,000)
Total RPTTF authorized for non-administrative obligations	**$**	**1,210,023**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,335,023**
ROPS 13-14B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**1,335,023**

Please refer to the ROPS 14-15B 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 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Danielle Wheeler, Assistant Director, March Joint Powers Authority
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office