DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 15, 2014

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

Dear Ms. Clark:

Subject: Recognized Obligation Payment Schedule

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 14-15B) to the California Department of Finance (Finance) on October 1, 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. 5 – 2011 Refunding of 97 LRB Bonds in the amount of $1,200,000 is not an enforceable obligation. 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 is 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 Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 7 – On-going Housing Monitoring Requirements totaling $25,000 is not an enforceable obligation. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Moreno Valley assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not enforceable obligation and is not eligible for RPTTF funding.

- Item No. 19 – Robertson's Ready Mix, Inc. Owner Participation Agreement (OPA) in the amount of $4,000,000 is denied. The OPA notes that certain conditions have to be met prior to the Agency distributing funds to the Robertson's Ready Mix. Inc. (Developer). It is our understanding that not all the conditions have been met by the Developer. Furthermore, the Agency did not submit sufficient documentation to support the amount requested. To the extent the Agency can provide suitable documentation that the conditions have been met by the Developer and support the requested amount, the Agency may be able to obtain RPTTF on future ROPS.

- 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 that includes 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 and not eligible for RPTTF funding.

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. 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $3,214,306 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015		
Total RPTTF requested for non-administrative obligations		4,094,015
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**4,219,015**
Total RPTTF requested for non-administrative obligations		**4,094,015**
Denied Items		
Item No. 5		(150,000)
Item No. 7		(25,000)
Item No. 19		(150,000)
Item No. 83		(600,000)
		(925,000)
Total RPTTF authorized for non-administrative obligations	**$**	**3,169,015**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**3,294,015**
ROPS 13-14B prior period adjustment		(79,709)
Total RPTTF approved for distribution	**$**	**3,214,306**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the ending balance of Other Funds totaling $61,924. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

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.

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. 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