



December 17, 2014

Mr. Alex Gann, County Executive Officer
Riverside County
4080 Lemon Street, 4th Floor
Riverside, CA 92501

Dear Mr. Gann:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 31, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Riverside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 18, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 31, 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 12, 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. 79, 81 and 82- Various costs associated with Mission Plaza totaling \$930,000. Finance no longer denies these items. Pursuant to a settlement agreement entered into on December 3, 2014, the Agency is now permitted to spend a total of \$10,000,000 in bond proceeds towards the Mission Plaza project. Therefore, the Agency's request to spend \$34,000 in ROPS 14-15B is approved.

In addition, per Finance's letter dated October 31, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Review of ROPS 14-15B included Agency's Oversight Board (OB) Resolutions 2014-11 and 2014-12, which approved agreements with the County of Riverside Transportation and Land Management Agency for projects funded with 2006 Bond Proceeds. Finance approves the agreements listed as Item Nos. 377 and 378 on ROPS 14-15B.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (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 \$6,294,352. Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Balances in the amounts specified below:

- Item No. 2 – 2005 Tax Allocation Revenue Bonds (TARB). The Agency requests \$6,122,594 of RPTTF; however, Finance is reclassifying \$6,122,594 to available Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period and the Agency has \$6,122,594 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$6,122,594.
- Item No. 6 – 2006 TARB Series C. The Agency requests \$216,619 of RPTTF; however, Finance is reclassifying \$171,758 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$171,758 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of \$44,861 and the use of Reserve Balances in the amount of \$171,758, totaling \$216,619.

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 audit of the Agency's self-reported prior period adjustment and Finances' proposed changes to it. Finance noted that for Item Nos. 1, 2, 3, 4, 38, 41, and 42, 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 \$11,984,747 to \$949,747. Therefore, the Agency should work with CAC to resolve the PPA differences.

Except for the items denied in whole or in part or items that have been reclassified, 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 \$26,764,008 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	33,017,580
Total RPTTF requested for administrative obligations	990,527
Total RPTTF requested for obligations on ROPS	\$ 34,008,107
Total RPTTF for non-administrative obligations	33,017,580
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 2	(6,122,594)
Item No. 60	(171,758)
	<u>(6,294,352)</u>
Total RPTTF authorized for non-administrative obligations	\$ 26,723,228
Total RPTTF requested for administrative obligations	990,527
Total RPTTF authorized for administrative obligations	\$ 990,527
Total RPTTF authorized for obligations	\$ 27,713,755
ROPS 13-14B prior period adjustment (PPA)	(11,984,747)
Proposed Finance adjustment to ROPS 13-14B PPA	11,035,000
Total ROPS 13-14B PPA	<u>(949,747)</u>
Total RPTTF approved for distribution	\$ 26,764,008

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting 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