



April 6, 2015

Mr. John Jansons, Community Investment Director
City of Hemet
455 East Florida Avenue
Hemet, CA 92543

Dear Mr. Jansons:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hemet Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 12 – Hemet Project Area/2014 Tax Allocation Refunding Bonds in the amount of \$159,919 is not allowed. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. The request to fund payments due for the first half of the calendar year is not allowed. Furthermore, during the January 1 through June 30, 2015 (ROPS 14-15B) period, Finance approved Redevelopment Property Tax Trust Fund (RPTTF) to fund the refunding 2014 debt service payments in the amount of \$929,013. Pursuant to the bond official statement debt service for the 2014 refunding bonds in the calendar year 2015 totals \$880,110. The Agency received sufficient RPTTF during ROPS 14-15B to satisfy the full debt service payment in calendar 2015. Reserve Balance funds should be utilized first prior to requesting for RPTTF funding. Additionally, the Agency failed to request authorization to use the Reserve funds for this item during ROPS 15-16A. Therefore, Finance approves the expenditure of \$929,013 of Reserve Balances received during ROPS 14-15B for the debt service payment in ROPS 15-16A.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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.

The Agency's maximum approved RPTTF distribution for the reporting period is \$208,880 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	243,799
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 368,799
Total RPTTF requested for non-administrative obligations	243,799
<u>Denied Item</u>	
Item No. 12	(159,919)
	(159,919)
Total RPTTF authorized for non-administrative obligations	\$ 83,880
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
	208,880
Total RPTTF authorized for obligations	\$ 208,880
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 208,880

Please refer to the ROPS 15-16A 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, 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 the

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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
Program Budget Manager

cc: Ms. Donna Rowley, Accounting Manager, City of Hemet
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office