

April 10, 2015

Mr. Marshall Eyerman, Financial Resources Division Manager  
City of Moreno Valley  
14177 Frederick Street  
Moreno Valley, CA 92552

Dear Mr. Eyerman:

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 15-16A) to the California Department of Finance (Finance) on February 25, 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. 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. 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 Housing Authority 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. 10 – Contract for Abatement of Properties totaling \$3,000 is not an obligation of the Agency. It is our understanding this agreement entered into on July 1, 2012 is between the City of Moreno Valley and Inland Empire Property, and the former

redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF on this ROPS.

- Item No. 86 – Housing Entity Administrative Cost Allowance per AB 471 Project in the amount of \$150,000 is not an enforceable obligation. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Because the housing successor to the RDA of the City is City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, the City is not eligible for the housing successor administrative costs allowance of \$150,000.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting 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 Other Funds totaling \$30,541.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 17 – Towngate Acquisition Note in the amount of \$700,000. The Agency requests \$700,000 of RPTTF; however, Finance is reclassifying \$30,541 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$30,541 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$669,459 and the use of Other Funds in the amount of \$30,541, totaling \$700,000.

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.

Except for the items denied in whole or in part, or that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$2,975,235 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	3,303,050
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 3,428,050</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,303,050</b>
<u>Denied Items</u>	
Item No. 5	(150,000)
Item No. 7	(25,000)
Item No. 10	(3,000)
Item No. 86	(150,000)
	(328,000)
	<b>\$ 2,975,050</b>
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 17	(30,541)
	(30,541)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,944,509</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 3,069,509</b>
ROPS 14-15A prior period adjustment	(94,274)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,975,235</b>

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 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: 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