



April 13, 2015

Mr. Andy Okoro, Deputy City Manager/Director of Finance
City of Norco
2870 Clark Avenue
Norco, CA 92860

Dear Mr. Okoro:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Norco Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 27, 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:

Debt service reserves totaling \$1,267,501 for payments due January through June 2016 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. Therefore, the request to fund payments due for the first half of the calendar year is not allowed.

- Item No. 4 – 2005 RDA Refunding TAB in the amount of \$35,000
- Item No. 5 – 2009 CNUSD Pass-Through TAB in the amount of \$125,000
- Item No. 6 – 2010 RDA Refunding TAB in the amount of \$70,000
- Item No. 20 – 2014 Tax Allocation Refunding Bonds in the amount of \$825,001
- Item No. 21 – 2014 Tax Allocation Refunding Bonds-School District Pass-Through in the amount of \$212,500

The debt service payments due during ROPS 15-16A period approved were as follows:

- Item No. 4 – 2005 RDA Refunding TAB in the amount of \$404,063
- Item No. 5 – 2009 CNUSD Pass-Through TAB in the amount of \$364,318
- Item No. 6 – 2010 RDA Refunding TAB in the amount of \$707,016
- Item No. 20 – 2014 Tax Allocation Refunding Bonds in the amount of \$925,506
- Item No. 21 – 2014 Tax Allocation Refunding Bonds-School District Pass-Through in the amount of \$256,775

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.

Based on Finance's review of the Agency's prior period adjustment form, the Agency did not properly reflect the reporting of encumbered RPTTF Non-Admin for debt service on the prior period adjustments form. Item Nos. 4, 5, 6 the Agency received half of the fiscal years total debt service payment during the July through December 31, 2014 period (ROPS 14-15A). It is Finance's understanding the Agency expended \$1,470,563 and encumbered \$229,149 for January through June 30, 2015 period (ROPS 14-15B). Therefore, the amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency and Finance's suggested adjustment. The Agency should continue to work with the CAC to resolve the PPA differences.

Except for the items denied in whole or in part, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,295,414 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	3,448,137
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 3,573,137
Total RPTTF requested for non-administrative obligations	3,448,137
<u>Denied Items</u>	
Item No. 4	(35,000)
Item No. 5	(125,000)
Item No. 6	(70,000)
Item No. 20	(825,001)
Item No. 21	(212,500)
	(1,267,501)
Total RPTTF authorized for non-administrative obligations	\$ 2,180,636
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,305,636
Self-reported ROPS 14-15A prior period adjustment (PPA)	(1,239,371)
Finance's suggested adjustment to ROPS 14-15A PPA	229,149
Total ROPS 14-15A PPA	(1,010,222)
Total RPTTF approved for distribution	\$ 1,295,414

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: Ms. Cheryl Link, City Clerk, City of Norco
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office