DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 12, 2015

Mr. Emilio Ramirez, Development Director
Riverside City
3900 Main Street, 3rd Floor
Riverside, CA 92522

Dear Mr. Ramirez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Riverside City 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:

- Item Nos. 84, 87 through 91 – City loan repayments totaling $10,646,615 is not allowed. The Agency received a Finding of Completion on April 17, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

  According to the County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $5,618,773 and $10,373,977, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for 2015-16 is $2,377,602. With the Agency concurrence, the maximum loan repayment amount has been applied towards Item No. 187, SERAF loan repayment in the amount of $2,377,601. Therefore, the City loan repayments totaling $10,646,615 are not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 16-17A.

- Item No. 192 – Housing Admin Cost Allowance in the amount of $222,926. Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not

assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Riverside (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, the $222,926 of housing entity administrative allowance is not allowed.

- Item Nos. 196 and 197 – Debt service reserves totaling $2,620,418 for half of the payments due fiscal year 2016-17 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 half of the payments due fiscal year 2016-17 is not allowed during the ROPS 15-16 A period.

- Item No. 198 – Marketing Design for Disposition Properties in the amount of $75,000 is not allowed. Our review indicates that the amount requested is for architect and design services for properties that were approved for sale on Agency's Long-Range Property Management Plan. HSC section 34163 (b) prohibits an agency from entering into contracts with any entity for various activities including planning and design activities. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $406,949.
  HSC section 34171 (b) limits the fiscal year 2015-2016 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. Although $675,466 is claimed for administrative cost, only $268,517 is available pursuant to the cap. Therefore, $406,949 of excess administrative cost is not allowed.

Except for the items denied in whole, 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/

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 Redevelopment Property Tax Trust Fund (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 $6,693,738 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		22,515,541
Total RPTTF requested for administrative obligations		675,466
Total RPTTF requested for obligations on ROPS	**$**	**23,191,007**
Total RPTTF requested for non-administrative obligations		**22,515,541**
Denied Items		
Item No. 84		(335,720)
Item No. 87		(4,206,070)
Item No. 88		(1,148,190)
Item No. 89		(38,964)
Item No. 90		(437,091)
Item No. 91		(4,480,580)
Item No. 192		(222,926)
Item No. 196		(2,529,313)
Item No. 197		(91,105)
Item No. 198		(75,000)
		(13,564,959)
Total RPTTF authorized for non-administrative obligations	**$**	**8,950,582**
Total RPTTF requested for administrative obligations		**675,466**
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(406,949)
Total RPTTF authorized for administrative obligations	**$**	**268,517**
Total RPTTF authorized for obligations	**$**	**9,219,099**
ROPS 14-15A prior period adjustment		(2,525,361)
Total RPTTF approved for distribution	**$**	**6,693,738**

Administrative Cost Cap Calculation		
Total RPTTF for non-administrative obligations		22,515,541
Percent allowed pursuant to HSC section 34171 (b)		3%
Total RPTTF allowable for administrative obligations		**675,466**
Total RPTTF administrative obligations after Finance adjustments		268,517
Administrative costs in excess of the cap	**$**	**406,949**

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 Anna Kyumba, Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Al Zelinka, Community Development Director, Riverside City
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office