



December 17, 2015

Mr. Jason Simpson, Director of Administrative Services
City of Lake Elsinore
130 South Main Street
Lake Elsinore, CA 92530

Dear Mr. Simpson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 18, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lake Elsinore Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 4, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 18, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on December 3, 2015.

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 determinations being disputed.

- Item No. 19 – Housing Fund Loan for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$562,125. With the Agency's concurrence, Finance continues to determine the Agency has exhausted the maximum repayment amount authorized for fiscal year 2015-16. However, as requested by the Agency, Finance has recalculated the maximum repayment amount authorized for fiscal year 2015-16. HSC section 34191.4 (b) (3) (A) allows 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 amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are \$91,779 and \$1,216,028, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2015-16 is \$562,125. The Agency requested and was approved to expend a total of \$562,125 during ROPS 15-16A. As such, the Agency has exhausted the maximum repayment amount authorized for fiscal year 2015-16.

- Item No. 33 – Interim Stadium Management Agreement in the amount of \$3,625,457. Finance no longer denies this item. Based on additional review during the meet and

confer process, Finance has determined this item is an enforceable obligation of the Agency. Additional information provided by the Agency during the meet and confer indicates that these costs are required by a series of three agreements entered into and/or amended between March 15, 2001 and July 15, 2007, collectively the "Agreements". Our review indicates that these costs are required pursuant to the Agreements. However, the Agency lacks the staffing resources and expertise to carry out the required activities on its own. As such, Finance has determined the Interim Stadium Management Agreement is necessary to ensure the Agency's compliance with the underlying Agreements and is an enforceable obligation. Therefore, the Agency is eligible for the requested amount of \$1,914,788 in Redevelopment Property Tax Trust Funds and \$248,649 in Other Funds for these costs in on this ROPS, totaling \$2,163,437.

- Claimed administrative costs exceed the allowance by \$41,726. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater. As a result, the Agency is eligible for \$336,743 in administrative expenses. The Riverside County Auditor-Controller distributed \$185,337 administrative costs for the July through December 2015 period, thus leaving a balance of \$151,406 available for the January through June 2016 period. Although \$193,132 is claimed for administrative cost, only \$151,406 is available pursuant to the cap. Therefore, \$41,726 of excess administrative cost is not allowed.

In addition, per Finance's letter dated November 18, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 43 – Housing Authority Administrative Cost in the amount of \$300,000 is not allowed. 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. Here, however, the City of Lake Elsinore (City) elected to be the housing successor to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing successor administrative costs allowance of \$300,000 requested for ROPS 15-16B.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is \$5,726,998 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	6,437,717
Total RPTTF requested for administrative obligations	193,132
Total RPTTF requested for obligations on ROPS 15-16B	\$ 6,630,849
Total RPTTF requested for non-administrative obligations	6,437,717
Denied Items	
Item No. 19	(562,125)
Item No. 43	(300,000)
	<u>(862,125)</u>
Total RPTTF authorized for non-administrative obligations	\$ 5,575,592
Total RPTTF requested for administrative obligations	193,132
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(41,726)
Total RPTTF authorized for administrative obligations	\$ 151,406
Total RPTTF authorized for obligations	\$ 5,726,998
ROPS 14-15B prior period adjustment	0
Total RPTTF approved for distribution	\$ 5,726,998

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	5,649,175
Total RPTTF for 15-16B (January through June 2016)	5,575,592
Total RPTTF for fiscal year 2015-2016	11,224,767
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	336,743
Administrative allowance for ROPS 15-16A (July through December 2015)	(185,337)
Remaining administrative cost cap for ROPS 15-16B	151,406
ROPS 15-16B administrative obligations after Finance adjustments	(193,132)
Administrative costs in excess of the cap	\$ (41,726)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on

this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Grant Yates, Executive Director, City of Lake Elsinore
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County