

November 13, 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) (1) (A), the Riverside City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 30, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 88 – City Loan – 3225 Market Street Acquisition with total outstanding balance of \$1,146,545 has been adjusted. The Agency requested to increase the total outstanding balance by \$11,456 to agree with the amortization schedule. Therefore, the corrected total outstanding balance is approved at \$1,158,001 (\$1,146,545 + \$11,456).
- Item No. 89 – City of Riverside Public Utilities Reimbursement Agreement in the amount of \$103,964 is partially allowed. This item pertains to Reid Park Acquisition. It is our understanding the Agency requested the incorrect amount and should be reduced by \$1,087 to agree with the amortization schedule. Therefore, \$102,877 (\$103,964 - \$1,087) is approved for Redevelopment Property Tax Trust Funds (RPTTF) funding and the excess \$1,087 is not eligible for funding for this this ROPS period.
- Item No. 90 – City of Riverside Public Utilities Reimbursement Agreement in the amount of \$696,790 is partially approved. This item pertains to Riverside Golf Course Acquisition. It is our understanding the Agency requested the incorrect amount and should be reduced by \$7,306 to agree with the amortization schedule. Therefore, \$689,484 (\$696,790 - \$7,306) is approved for RPTTF funding and the excess \$7,306 is not eligible for funding for this this ROPS period.

In addition, the total outstanding balance of \$5,094,984 has been adjusted. The Agency requested to reduce the total outstanding balance by \$3,000 to agree with the amortization schedule. Therefore, the corrected total outstanding balance is \$5,091,984 (\$5,094,984 - \$3,000).

- Item No. 163 – Oversight Board Legal Counsel in the amount of \$25,000 has been reclassified to the Agency's Administrative Cost Allowance (ACA). Although enforceable, the legal services requested are administrative in nature and do not fall into any of the categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b) such as litigation expenses related to assets or obligations and not against Finance; settlements and judgments and not against Finance; costs of maintaining assets prior to disposition; employee costs associated with work on specific project. Therefore, this item is considered a general administrative cost payable from the Agency's ACA.
- Item No. 166 – Successor Agency Board Legal Counsel in the amount of \$75,000 has been reclassified to the Agency's ACA. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceeding, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution laws shall only be payable out of the ACA. The item relates to litigation between Finance and the Agency pertaining to the Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief. Therefore, this item is considered a general administrative cost payable from the Agency's ACA.
- Item No. 191 – Property disposition costs for property located at 3761 Van Buren Boulevard in the amount of \$5,000 is not allowed. This property was approved for sale under OB Resolution No. 80. According to the Agency, the property sale is in escrow and is anticipated to close by December 2, 2015. Therefore, disposition costs is not necessary during ROPS 15-16B and the requested \$5,000 is not eligible for RPTTF funding.
- The Agency's claimed ACA exceeds the allowance by \$103,401. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater. As a result, the Agency is eligible for \$903,477 in administrative expenses. The Riverside County Auditor-Controller distributed \$268,517 administrative costs for the July through December ROPS 15-16A period, leaving a balance of \$634,960 available for the January through June ROPS 15-16B period. Although \$638,361 is requested for the ACA, Item Nos. 163 and 166, as described above, are considered administrative expenses and should be counted towards the cap. Therefore, \$103,401 of excess ACA is not allowed.

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. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$18,855,564 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	21,278,700
Total RPTTF requested for administrative obligations	638,361
Total RPTTF requested for obligations on ROPS 15-16B	\$ 21,917,061
Total RPTTF requested for non-administrative obligations	21,278,700
<u>Denied Items</u>	
Item No. 89	(1,087)
Item No. 90	(7,306)
Item No. 191	(5,000)
	(13,393)
<u>Reclassified Items</u>	
Item No. 163	(25,000)
Item No. 166	(75,000)
	(100,000)
Total RPTTF authorized for non-administrative obligations	\$ 21,165,307
Total RPTTF requested for administrative obligations	638,361
<u>Reclassified Items</u>	
Item No. 163	25,000
Item No. 166	75,000
	100,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(103,401)
Total RPTTF authorized for administrative obligations	\$ 634,960
Total RPTTF authorized for obligations	\$ 21,800,267
ROPS 14-15B prior period adjustment	(2,944,703)
Total RPTTF approved for distribution	\$ 18,855,564

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	8,950,582
Total RPTTF for 15-16B (January through June 2016)	21,165,307
Total RPTTF for fiscal year 2015-2016	30,115,889
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	903,477
Administrative allowance for ROPS 15-16A (July through December 2015)	(268,517)
Remaining administrative cost cap for ROPS 15-16B	634,960
ROPS 15-16B administrative obligations after Finance adjustments	(738,361)
Administrative costs in excess of the cap	\$ (103,401)

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>

Absent a Meet and Confer, 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 Cindie Lor, Supervisor, or Medy Lamorena, Lead 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