



December 17, 2015

Mr. Thomas Prill, Finance Director
City of San Jacinto
595 South San Jacinto Avenue
San Jacinto, CA 92583

Dear Mr. Prill:

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 San Jacinto Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 6, 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.14 – Litigation cost in the amount of \$25,000 was reclassified to administrative cost allowance (ACA). Finance continues to reclassify this item. During the Meet and Confer process, the Agency objected to this determination; however, no additional information was provided. Finance reclassified this item because 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 law shall only be payable out of the ACA. It is our understanding the item relates to costs incurred/to be incurred by the Agency in challenging Finance's determination related to ROPS Item No. 13 housing administrative costs. Therefore, this item is considered a general administrative cost payable from the Agency's ACA.
- Item No. 15 – Correction of error in the amount of \$281,867 was not allowed. Finance continues to deny this item. The Agency contends that its total payment made during the Other Funds and Accounts Due Diligence Review (OFA DDR) was overstated and caused the Agency to suffer a cash shortfall. Finance initially denied this item because the Agency was unable to provide sufficient documentation to support the overpayment resulted in insufficient funds needed to pay for enforceable obligations during ROPS I and ROPS II. The Agency reported a prior period adjustment (PPA) of \$399,787 for ROPS I and \$120,914 for ROPS II. Therefore, it appears that the Agency had sufficient

funds needed to pay enforceable obligations during ROPS I and ROP II and did not experience a cash shortfall.

During the Meet and Confer process, the Agency contended that this item is related to the negative cash balance of the Agency, which is a result of a debt service principal and interest payment made on ROPS I and two approved ROPS II payments that were not included in the cash balances retained in the OFA DDR. The Agency stated that the amount is needed to reimburse the Agency for a deficient of Redevelopment Property Tax Trust Fund (RPTTF) funding to pay enforceable obligations. However, neither a negative cash balance nor an overpayment on a DDR meets the definition of an enforceable obligation pursuant to HSC section 34171 (d) (1). To the extent the Agency can provide supporting documents to show items went unpaid on a ROPS or that the City of San Jacinto loaned funds to the Agency to make payments on approved enforceable obligations, those items may be listed on a subsequent ROPS for review. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

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. 5 – Contract for consulting services in the amount of \$5,000 is not allowed. The Agreement with the third-party expired on June 30, 2014. Furthermore, during the period of June through December 30, 2015 (ROPS 15-16A) the item was approved for an amount of \$10,000, which should have fully satisfied the obligation. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

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 that have been denied in whole or in part and the item that has 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 \$236,202 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	476,037
Total RPTTF requested for administrative obligations	75,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 551,037
Total RPTTF requested for non-administrative obligations	476,037
<u>Denied Items</u>	
Item No. 5	(5,000)
Item No. 15	(281,867)
	(286,867)
<u>Reclassified Item</u>	
Item No. 14	(25,000)
Total RPTTF authorized for non-administrative obligations	\$ 164,170
Total RPTTF requested for administrative obligations	75,000
<u>Reclassified Item</u>	
Item No. 14	25,000
Total RPTTF authorized for administrative obligations	\$ 100,000
Total RPTTF authorized for obligations	\$ 264,170
ROPS 14-15B prior period adjustment	(27,968)
Total RPTTF approved for distribution	\$ 236,202

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 (I) (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.

Mr. Thomas Prill
December 17, 2015
Page 4

Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Sharon Paisley, Development Director, City of San Jacinto
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County