



March 30, 2016

Mr. Dean Martin, Interim Administrative Services Director
City of Banning
99 East Ramsey Street
Banning, CA 92220

Dear Mr. Martin:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Banning Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 28, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item Nos. 1 and 2 – It is our understanding the Agency transposed requested amounts for the 2003 and 2007 Tax Allocation Bonds. The Agency requested debt service payment for the Series 2003 Tax Allocation Bonds on line Item No. 3, and requested Series 2007 Tax Allocation Bonds debt service payment on line Item No. 1. With the Agency's concurrence, Finance decreased total requested amount for Item No. 1 to \$436,371 (\$223,873 for the A Period and \$212,498 for the B period), and increased the total amount requested for Item No. 2 to \$1,083,739 (\$548,894 for the A period and \$534,845 for the B period). As a result, the total ROPS 16-17 Redevelopment Property Tax Trust Fund (RPTTF) funding has not changed, but the amounts have been adjusted to match their respective debt service payments.
- Item Nos. 23, 30, and 31 – Projects funded with \$8,106,026 in Bond Proceeds. The Agency received a Finding of Completion on April 26, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Additionally, the Oversight Board approved OB Resolution No. 2016-02, approving the use of Series 2003 and 2007 excess bond proceeds, which Finance approved. Our approval of funding for these items is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation Type from "Improvement/Infrastructure" to "Bond Funded Project – Pre-2011". Such approval, however, should not be construed as approval of the projects themselves as enforceable obligations.

- The claimed administrative costs exceed the allowance by \$25,000. Pursuant to HSC section 34171 (b) (3), the Administrative Cost Allowance (ACA) shall be up to three percent of the actual distributed RPTTF in the preceding fiscal year, or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. The Riverside County Auditor-Controller distributed \$1,713,801 RPTTF in the 2015-16 fiscal year. As a result, \$250,000 is available for the ACA pursuant to the cap. The Agency claimed administrative cost totaling \$250,000 (\$37,313 from Other Funds and \$212,687 from Administrative RPTTF). Item No. 13 for fiscal consulting services in the total amount of \$25,000 is considered an administrative cost and should be counted toward the cap. Therefore, \$25,000 of excess administrative cost is not allowed for the January 1, 2017 through June 30, 2017 period.

Except for the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,091,890 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

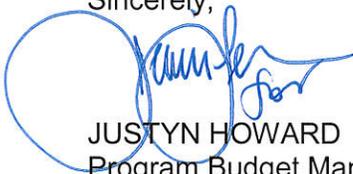
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Michelle Green, Deputy Finance Director, City of Banning
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 1,953,563	\$ 1,950,640	\$ 3,904,203
Requested Administrative RPTTF	87,687	125,000	212,687
Total RPTTF requested for obligations on ROPS 16-17	2,041,250	2,075,640	\$ 4,116,890
Total RPTTF requested	1,953,563	1,950,640	3,904,203
<u>Reclassified Item</u>			
Item No. 13	(12,500)	(12,500)	(25,000)
Total RPTTF authorized	1,941,063	1,938,140	\$ 3,879,203
Total Administrative RPTTF requested	87,687	125,000	212,687
<u>Reclassified Item</u>			
Item No. 13	12,500	12,500	25,000
Total Administrative RPTTF after Finance adjustments	100,187	137,500	237,687
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(25,000)	(25,000)
Total Administrative RPTTF authorized	100,187	112,500	\$ 212,687
Total RPTTF approved for distribution	2,041,250	2,050,640	\$ 4,091,890

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 1,713,801
Less sponsoring entity loan and Administrative RPTTF	230,842
Actual RPTTF distributed for 2015-16 after adjustment	1,482,959
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative Costs after Finance adjustments*	275,000
Administrative Cost Allowance in excess of the cap	\$ (25,000)

* Administrative costs include \$37,313 funded by Other Funds.