



April 14, 2016

Mr. Alex Gann, County Executive Officer
Riverside County
4080 Lemon Street, 4th Floor
Riverside, CA 92501

Dear Mr. Gann:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Riverside County 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 No. 33 – Property disposition costs in the total amount of \$539,912 is partially allowed. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on December 18, 2015, which approved Agency properties to be disposed of through sale or transfer to the County of Riverside (County) for future development. The Agency provided a list of properties and costs allocated to each property. Finance's review found costs totaling \$44,524 related to five properties that were approved for transfer to the County for future development, and should be the responsibility of the County, not the Agency. Therefore, of the \$539,912 requested during ROPS 16-17, \$44,524 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding for ROPS 16-17.
- Item Nos. 75, 76, 129 and 130 – Property maintenance costs in the total amount of \$110,000. As noted in the bullet above, cost related to properties approved for transfer to the County on the approved LRPMP should be the County's responsibility. The Agency provided a list of properties related to costs claimed under each item, which include properties that were approved for transfer to the County. Therefore, RPTTF funding is not allowed as follows:
 - Item Nos. 75 and 76 – The total requested of \$60,000 (\$30,000 + \$30,000) is not allowed.
 - Item Nos. 129 and 130 – Of the \$50,000 requested, \$16,000 (\$8,000 + \$8,000) is not allowed.

- Item No. 387 – 2015 Tax Allocation Refunding Bond Series B and C in the amount of \$3,432,826 is partially allowed. Included in the requested amount, is a request for \$72,000 for a shortfall the Agency contends occurred during the period of July 1, 2015 through December 30, 2015 (ROPS 15-16A). However, according to the Riverside County Auditor-Controller's (CAC) RPTTF distribution report for the ROPS 15-16A period, the Agency was fully funded. The Agency was not insufficient in RPTTF funding during the ROPS 15-16A period. Additionally, documentation provided did not support how the Agency calculated the shortfall amount. Therefore, of the requested \$3,432,826, \$72,000 is not eligible for RPTTF funding in the July 1, 2016 through December 31, 2016 period (ROPS A period).
- Item No. 388 – 2015 Tax Allocation Refunding Bond Series A, D, and E in the amount of \$3,980,300 is partially allowed. Included in the requested amount, is a request for \$16,250 for RPTTF shortfall the Agency contends occurred during the period of January 1, 2016 through June 30, 2016 (ROPS 15-16B). However, according to the CAC RPTTF distribution report for the ROPS 15-16B period, the Agency was fully funded. The Agency was not insufficient in RPTTF funding during the ROPS 15-16B period. Additionally, documentation provided did not support how the Agency calculated the shortfall amount. Therefore, of the requested \$3,980,300, \$16,250 is not eligible for RPTTF funding in the January 1, 2017 through June 30, 2016 period (ROPS B period).
- Item No. 389 – 2015 Housing Refunding Bond Series A in the amount of \$1,043,000 is partially allowed. Included in the requested amount, is a request for \$5,200 for a shortfall the Agency contends occurred during the ROPS 15-16B. However, according to the CAC RPTTF distribution report for the ROPS 15-16B period, the Agency was fully funded. The Agency was not insufficient in RPTTF funding during the ROPS 15-16B period. Additionally, documentation provided did not support how the Agency calculated the shortfall amount. Therefore, of the requested \$1,043,000, \$5,200 is not eligible for RPTTF funding ROPS B period.
- Item Nos. 390 through 409 – Housing bond funded costs totaling \$7,541,500 in Bond Proceeds. The Agency received a Finding of Completion on April 18, 2014 and is allowed to expend housing bond proceeds in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess 2010 and 2011 housing bond proceeds pursuant to HSC section 34176 (g). Therefore, we have changed the Obligation types "Bond Funded Project – Housing". Such approval, however, should not be construed as approval of the project or agreement themselves as enforceable obligations. Furthermore, the items funded with housing bond proceeds are limited to the amount of proceeds available with the Agency.
- The claimed administrative costs exceed the allowance by \$54,234. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of 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. As a result, the Agency's maximum ACA is \$1,292,405 for the fiscal year 2016-17. Although \$1,346,639 is claimed for administrative cost, only \$1,292,405 is available pursuant to the cap. Therefore, \$54,234 of excess administrative cost is not allowed.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Reserve Funds in the amount specified below:
 - Item No. 388 – 2015 Tax Allocation Refunding Bonds Series A, D, E in the amount of \$2,802,650 for the ROPS A period. The Agency requests \$2,802,650 of RPTTF; however, Finance is reclassifying \$2,387,430 to Reserve Balance. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$2,387,430 in available Reserve Balance. Therefore, Finance is approving RPTTF in the amount of \$415,220 and the use of Reserve Funds in the amount of \$2,387,430, totaling \$2,802,650 for the ROPS A period.

Except for the items denied in whole or in part, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$43,578,978 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the 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>

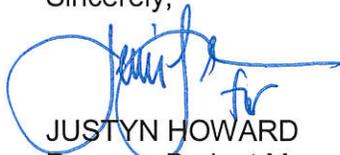
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for 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. Rohini Dasika, Senior Management Analyst, Riverside County
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)	\$ 26,578,098	\$ 18,309,879	\$ 44,887,977
Requested Administrative RPTTF	797,343	549,296	1,346,639
Total RPTTF requested for obligations on ROPS 16-17	27,375,441	18,859,175	\$ 46,234,616
Total RPTTF requested	26,578,098	18,309,879	44,887,977
Denied Items			
Item No. 33	(22,262)	(22,262)	(44,524)
Item No. 75	(15,000)	(15,000)	(30,000)
Item No. 76	(15,000)	(15,000)	(30,000)
Item No. 129	(4,000)	(4,000)	(8,000)
Item No. 130	(4,000)	(4,000)	(8,000)
Item No. 387	(72,000)	0	(72,000)
Item No. 388	0	(16,250)	(16,250)
Item No. 389	0	(5,200)	(5,200)
	(132,262)	(81,712)	(213,974)
Reclassified Item			
Item No. 388	(2,387,430)	0	(2,387,430)
Total RPTTF authorized	24,058,406	18,228,167	\$ 42,286,573
Total Administrative RPTTF requested	797,343	549,296	1,346,639
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(54,234)	(54,234)
Total Administrative RPTTF authorized	797,343	495,062	\$ 1,292,405
Total RPTTF approved for distribution	24,855,749	18,723,229	\$ 43,578,978

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 44,525,047
Less sponsoring entity loan and Administrative RPTTF	1,444,864
Actual RPTTF distributed for 2015-16 after adjustment	43,080,183
Administrative Cap for 2016-17 per HSC section 34171 (b)	1,292,405
ROPS 16-17 Administrative RPTTF after Finance adjustments	1,346,639
Administrative Cost Allowance in excess of the cap	\$ (54,234)