

April 6, 2016

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

Dear Mr. Prill:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of San Jacinto 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 February 1, 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. 13 – Housing Administrative Cost in the amount of \$150,000 is not allowed. Finance continues to deny this item. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of San Jacinto (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, the City is not eligible Redevelopment Property Tax Trust Fund (RPTTF) funding for the housing successor administrative cost allowance in the amount of \$150,000 requested for the ROPS 16-17 period.
- Item No. 15 – Correction of error in the amount of \$281,867 is 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. The Agency reported prior period adjustments (PPA) of \$399,787 for ROPS I and \$120,914 for ROPS II. Therefore, the Agency had sufficient funds to pay enforceable obligations during ROPS I and ROP II and did not experience a cash shortfall. Furthermore, the Agency remitted the OFA DDR balance to the County of Riverside Auditor Controller (CAC) for disbursement to the affected taxing entities and any disputes relating to the remittance of funds should be directed to the CAC. Therefore, this line item is not an enforceable obligation and the requested \$281,867 is not eligible for RPTTF funding.

Except for the items denied in whole, 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 \$744,654 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. Sharon Paisley, Development Director, City of San Jacinto
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	<u>ROPS A Period</u>	<u>ROPS B Period</u>	<u>Total</u>
Requested RPTTF (excluding administrative obligations)	\$ 792,196	\$ 234,325	\$ 1,026,521
Requested Administrative RPTTF	75,000	75,000	150,000
Total RPTTF requested for obligations on ROPS 16-17	867,196	309,325	\$ 1,176,521
Total RPTTF requested	792,196	234,325	1,026,521
<u>Denied Items</u>			
Item No. 13	(75,000)	(75,000)	(150,000)
Item No. 15	(281,867)	0	(281,867)
Total RPTTF authorized	435,329	159,325	\$ 594,654
Total Administrative RPTTF authorized	75,000	75,000	\$ 150,000
Total RPTTF approved for distribution	510,329	234,325	\$ 744,654