



May 17, 2016

Mr. Onyx Jones, Interim Finance Director  
City of Beaumont  
550 East 6th Street  
Beaumont, CA 92223

Dear Mr. Jones:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Beaumont Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 14, 2016. 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 April 29, 2016.

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.12 – Sponsoring Entity loan repayment in the total outstanding amount of \$19,836,646. Finance continues to deny this item. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's Oversight Board (OB) approves finds the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on December 8, 2015. OB Resolution 2016-03, approving an Amendment to the Master Loan Agreement in the amount of \$19,836,646 and finding the loan was for legitimate redevelopment purposes, was denied in our letter dated April 14, 2016. Sufficient financial documentation was not provided by the Agency to substantiate cash exchanged occurred to support the total loan balance of \$19,836,646. During the Meet and Confer process, documentation was requested; however, no further documentation to substantiate the loan was provided. Therefore, the requested amount of \$19,836,646 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) for the July 1, 2016 through December 31, 2016 (ROPS A period).

- The claimed administrative costs exceed the allowance by \$250,000. Finance continues to maintain that the request exceeds the allowance. Specifically, 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. This calculation is also required to exclude RPTTF amounts distributed for loan repayments to the sponsoring entity and the ACA. In the previous fiscal year, the Agency was only distributed RPTTF for the ACA totaling \$250,000. This effectively means for purposes of calculating the 2016-17 ROPS ACA the base amount is \$0 and 50 percent of \$0 is \$0. Therefore, \$250,000 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. 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 zero as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

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

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 Evelyn Suess, Dispute Resolution Supervisor, or Daisy Rose, Analyst at (916) 445-3274.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Howard', with a long, sweeping underline.

JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Kyle Warsinski, Community Development Analyst, City of Beaumont  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 19,836,646	\$ 0	\$ 19,836,646
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>19,961,646</b>	<b>125,000</b>	<b>\$ 20,086,646</b>
<b>Total RPTTF requested</b>	<b>19,836,646</b>	<b>0</b>	<b>19,836,646</b>
<u>Denied Item</u>			
Item No. 12	(19,836,646)	0	(19,836,646)
<b>Total RPTTF authorized</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>
<b>Total Administrative RPTTF requested</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	(125,000)	(125,000)	(250,000)
<b>Total Administrative RPTTF authorized</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>
<b>Total RPTTF approved for distribution</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>

<b>Administrative Cost Allowance Cap Calculation</b>	
Actual RPTTF distributed for fiscal year 2015-16	\$ 250,000
Less sponsoring entity loan and Administrative RPTTF	250,000
Actual RPTTF distributed for 2015-16 after adjustment	0
Administrative Cap for 2016-17 per HSC section 34171 (b)	0
ROPS 16-17 Administrative RPTTF after Finance adjustments	250,000
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (250,000)</b>