DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

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April 9, 2019

Mr. David Welch, Successor Agency Manager
Riverside City
3900 Main Street, 5th Floor
Riverside, CA 92522

Dear Mr. Welch:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Riverside City Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 23, 2019. Finance has completed its review of the ROPS 19-20.

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

- Item No. 205 – Share Pension Loan Agreement in the total outstanding amount of $974,891 is not allowed. Pursuant to HSC section 34191.4 (b), loan agreements between the former Redevelopment Agency (RDA) 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) finds the loan was for legitimate redevelopment purposes.

  The Agency received a Finding of Completion on April 17, 2013. However, OB Resolution No. 2019-014, making findings and declarations in connection with that certain Shared Pension Obligation Loan Agreement (Agreement) and Promissory Note between the former RDA and the City of Riverside (City) in the amount of $974,891 as an enforceable obligation and finding the loan was for legitimate redevelopment purposes, was not approved in our determination letter dated March 4, 2019.

  Finance notes that during ROPS 17-18, this Agreement was denied as an enforceable obligation under Item Nos. 8, 24, 34, 49, and 86. On ROPS 19-20, the Agency has reported the Agreement under the new Item No. 205 as a pre-dissolution sponsoring entity loan. The Agency asserts the City loaned $1,417,000 from its 2005 Pension Obligation Bonds (POB) to the Agency for its pro-rata share of the employee contributions. On February 15, 2011, the Agency and City entered into the Agreement and Promissory Note to memorialize the City's loan. It is our understanding the proceeds of the POB were used by the City to make a lump-sum contribution to CalPERS, and no actual cash was transferred from the City to the Agency. Instead, inter-fund loans were set up between the City's General Fund and Agency funds based on the amount of payroll in each Agency fund at the time of the POB issuance in order to establish liability accounts for the annual repayments to the City's General Fund. Since the Agency contends the City's payment to CalPERS included their pro-rata share of contributions,

the Agreement appears to be a reimbursement agreement. Therefore, the Agreement does not meet the definition of a loan pursuant to HSC section 34191.4 (b) (2). As a result, the requested amount of $341,427 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- The claimed administrative costs exceed the allowance by $99,100.
  HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or $250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is $550,441 for fiscal year 2019-20. Although $649,541 is claimed for ACA, only $550,441 is available pursuant to the cap. Therefore, as noted in the table below, $99,100 in excess ACA is not allowed:

| Administrative Cost Allowance Calculation | |
|---|---|
| Actual RPTTF distributed for fiscal year 2018-19 | $ 19,085,822 |
| Less distributed Administrative RPTTF | (737,773) |
| RPTTF distributed for 2018-19 after adjustments | 18,348,049 |
| | |
| ACA Cap for 2019-20 per HSC section 34171 (b) | 550,441 |
| ACA requested for 2019-20 | 649,541 |
| **Total ACA** | **649,541** |
| **ACA in Excess of the Cap** | **$ (99,100)** |

- Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

  Based on our review of the prior period adjustment, Finance noted the Agency misspent a portion of excess funds. Specifically, the Agency spent more than what was authorized for the ACA for the July 1, 2016 through June 30, 2017 (ROPS 16-17). Finance authorized $739,375 pursuant to the cap; yet a total of $741,566 was reported. This is $2,191 in excess of the maximum amount allowed pursuant to HSC section 34171 (b) (3). Further, pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be retained and expended once the Agency receives approval for their use on future ROPS.

Except for the item adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $12,674,445 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

http://dof.ca.gov/Programs/Redevelopment/ROPS/

This determination is effective for the ROPS 19-20 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 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Cindie Lor, Supervisor, or Jeremy Bunting, Lead Analyst, at (916) 322-2985.

Sincerely,

JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Rafael Guzman, Community & Economic Development Director, Riverside City
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

## Attachment

| Approved RPTTF Distribution<br>For the period of July 1, 2019 through June 30, 2020 | | | |
|---|---|---|---|
| | ROPS A Period | ROPS B Period | ROPS 19-20 Total |
| RPTTF Requested | $ 6,837,373 | $ 9,401,145 | $ 16,238,518 |
| Administrative RPTTF Requested | 273,495 | 376,046 | 649,541 |
| **Total RPTTF Requested** | **7,110,868** | **9,777,191** | **16,888,059** |
| | | | |
| **RPTTF Requested** | 6,837,373 | 9,401,145 | 16,238,518 |
| Adjustment | | | |
| Item No. 205 | (341,427) | 0 | (341,427) |
| **RPTTF Authorized** | **6,495,946** | **9,401,145** | **15,897,091** |
| | | | |
| **Administrative RPTTF Requested** | 273,495 | 376,046 | 649,541 |
| Excess Administrative Costs | 0 | (99,100) | (99,100) |
| **Administrative RPTTF Authorized** | **273,495** | **276,946** | **550,441** |
| **Total RPTTF Authorized for Obligations** | **6,769,441** | **9,678,091** | **16,447,532** |
| Prior Period Adjustment | (3,773,087) | 0 | (3,773,087) |
| **Total RPTTF Approved for Distribution** | **$ 2,996,354** | **$ 9,678,091** | **$ 12,674,445** |