



October 14, 2012

Ms. Lisa Brandl, Managing Director
Economic Development Agency
County of Riverside
3403 10th Street, Suite 300
Riverside, CA 92501

Dear Ms. Brandl:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Riverside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 99, 167, 168, and 323 in the amount of \$13.2 million of bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. According to the Agency, the contracts for the following items have not yet been awarded.

Item No.	Project Name	Total Obligation
99*	Mission Plaza	5,000,000
167*	Mecca Comfort Station	3,000,000
168*	Mecca Comfort Station	1,700,000
323	Mission Village Single-Family Subdivision	510,700
346	Paseo de Los Heroes III	3,000,000
		13,210,700

*Based on review of additional information provided with the Agency's appeal letter, items remain denied as enforceable obligations.

- Various items summarized in the table below in the amount of \$19.5 million of bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Contracts for the following items were awarded after June 27, 2011; therefore, they are not enforceable obligations.

Item No.	Project Name	Total Obligation
53	El Cerrito Road Beautification and Channel Improvement	3,500,000
176	Mecca Street Revitalization Phase 3	218,816
214	Mead Valley Library	4,400,000
230	Mead Valley Road Improvement Project Phase IV	1,955,317
231	Ramona & Cajalco Expressway Interchange	104,000
254	Perris Valley Aquatic Center	797,217
255	Perris Valley Aquatic Center	144,162
256	Perris Valley Aquatic Center	29,076
281	Brown Street Road and Drainage Improvement	860,634
292	Mustang Lane Infill Housing Project	4,000,000
345	Los Vinedos	3,500,000
		19,509,222

- Item Nos. 286 and 287 – Tres Lagos Senior Apartments in the amount of \$5,135,000 (\$9,500,000 - \$4,365,000) of Low and Moderate Income Housing Fund (LMIHF) funds and bond proceeds. Total obligation for these items listed is \$9.5 million; however, only \$4.365 million is supported with a contract approved on June 15, 2010. Agency claims another \$5.5 million was approved on March 1, 2011; however, no documents were provided to support this increase. Therefore, the amount not supported is denied.
- Administrative costs claimed for RPTTF exceed the allowance by \$557,791. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Additionally, items 24, 25, 27, 31, 32, 34, 45, and 46 were reclassified as administrative expenses.

Administrative allowance cap for fiscal year 2012-13	\$ 1,910,021
Administrative costs claimed for July through December 2012	745,407
Administrative costs claimed for January through June 2013	1,722,405
Overage	\$ 557,791

Although the following item was denied on previous ROPS schedules for the periods January through June 2012 (ROPS I) and July through December 2012 (ROPS II), based on review of additional information provided to us, we are no longer denying it:

- Item No. 370 – Mountain View Estates Mobile Home Park in the amount of \$9.9 million of bond proceeds. HSC section 34176 (g) authorizes the housing entity to designate the use of and commit bond proceeds that remain after the satisfaction of enforceable obligations that have been approved in a ROPS and that are consistent with the bond covenants. On August 9, 2012, the successor housing entity notified the Agency of designations and commitments of 2010 housing bond proceeds and requested the item be listed on the ROPS III. The following required conditions are met; therefore, this item is considered an enforceable obligation:
 - The housing entity's bond counsel provided written confirmations that the use of the bond proceeds is consistent with the bond covenants. Based on review of

the confirmations and other documents provided by the housing entity, it appears that the use of bond proceeds is consistent with the bond covenants.

- o The Agency's financial records indicate that there are sufficient funds available.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$30,976,132 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 30,615,518
Less: Six-month total for items denied or reclassified as administrative cost	
Item 24**	40,000
Item 25**	120,000
Item 27**	300,000
Item 31**	37,500
Item 32**	118,500
Item 34**	150,000
Item 45**	18,000
Item 46**	20,000
Total approved RPTTF for enforceable obligations	\$ 29,811,518
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	1,164,614
Total RPTTF approved:	\$ 30,976,132

**Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 33,855,846
Total RPTTF for the period January through June 2013	29,811,518
Total RPTTF for fiscal year 2012-13:	\$ 63,667,364
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	1,910,021
Administrative allowance for the period of July through December 2012	745,407
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 1,164,614

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

Please direct inquiries to Beliz Chappuie, Supervisor or Mindy Patterson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Rohini Dasika, Principal Development Specialist, Economic Development Agency,
County of Riverside
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Auditor Controller