



December 18, 2012

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

Dear Ms. Brandl:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 19, 2012.

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 item being disputed.

- Item Nos. 99, 167 and 168 in the amount of \$9.7 million of bond proceeds. Finance continues to deny the items. 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
		<b>9,700,000</b>

We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to January 1, 2011 for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. Our understanding is that the bond

proceeds requested for use were issued in 2011. Therefore, these items are not enforceable obligations. However, to the extent the Agency has available pre 2011 bond proceeds that can be used on any of these projects the items may become enforceable upon receiving a finding of completion from Finance.

- Various items summarized in the table below in the amount of \$12 million of bond proceeds. Finance continues to deny the items. No additional compelling information was provided during the Meet and Confer session that would result in a reversal of our previous decision. 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.

<b>Item No.</b>	<b>Project Name</b>	<b>Total Obligation</b>
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
		<b>12,009,222</b>

We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to January 1, 2011 for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. Our understanding is that the bond proceeds requested for use were issued in 2011. Therefore, these items are not enforceable obligations. However, to the extent the Agency has available pre 2011 bond proceeds that can be used on any of these projects the items may become enforceable upon receiving a finding of completion from Finance.

- 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. Finance continues to maintain its position. 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 documentation provided supports this claim. Therefore, the amount not supported is denied.
- Item Nos. 292, 345, and 346 totaling \$10.5 million in bond proceeds. Finance continues to deny the items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. These items either have no contract in place or the contract was after June 27, 2011.

Item No.	Project Name	Total Obligation
292	Mustang Lane Infill Housing	4,000,000
345	Los Vinedos	3,500,000
346	Paseo de los Heroes III	3,000,000
		<b>10,500,000</b>

- Administrative costs claimed for RPTTF exceed the allowance by \$539,251. 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, and 46 continue to be reclassified as administrative expenses, as these items did not fit into the categories specifically carved out from the administrative cost cap. The Agency did not contest the reclassification of items 24 and 27. Finance is no longer reclassifying item 45, which is related to maintaining properties owned by the Agency prior to disposition.

Administrative allowance cap for fiscal year 2012-13	\$ 1,910,561
Administrative costs claimed for July through December 2012	745,407
Administrative costs claimed for January through June 2013	1,704,405
Overage	\$ 539,251

In addition, per Finance's determination letter dated October 15, 2012, the following decisions on items were not being disputed by the Agency and Finance's original decision applies:

- Item No. 370 – Mountain View Estates Mobile Home Park in the amount of \$9.9 million of bond proceeds. The item is approved. 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.
  - The Agency's financial records indicate that there are sufficient funds available.
- Item 323 – Mission Village Single-Family Subdivision totaling \$510,700 in 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$30,994,672 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
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 46**	20,000
Total approved RPTTF for enforceable obligations	\$ 29,829,518
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	1,165,154
<b>Total RPTTF approved:</b>	<b>\$ 30,994,672</b>

\*\*Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 33,855,846
Total RPTTF for the period January through June 2013	29,829,518
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 63,685,364</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	1,910,561
Administrative allowance for the period of July through December 2012	745,407
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 1,165,154</b>

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Danielle Brandon, 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  
California State Controller's Office