



April 10, 2014

Mr. Emilio Ramirez, Development Director
Riverside City
3900 Main Street, 3rd Floor
Riverside, CA 92522

Dear Mr. Ramirez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Riverside City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item No. 18 – Auto Center Business Improvement District Agreement in the amount of \$800,000. This item was previously denied. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that the contract for this line item was awarded after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 84 and 87 through 91 – City loan repayments in the amount of \$10,383,616 are not allowed at this time. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$5,618,776 and \$13,713,000, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for fiscal year 2014-15 is \$4,047,112. Furthermore, pursuant to HSC 34191.4 (2) (B) repayments received by the city, county or city and county that formed the Agency shall be first used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund, which was requested in item 187. Therefore, repayment on the remaining loans is not allowed at this time. The Agency may request funding for these loans on a future ROPS.

- Item No. 187 - Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$4,702,227 payable from Reserve funding.

As noted above, the maximum loan repayment amount authorized for fiscal year 2014-15 is \$4,047,112. Therefore, of the \$4,702,227 is requested for LMIHF loan repayment, \$655,115 of excess amount is not allowed at this time. The Agency may request funding for the remainder of the loan on the next ROPS.

- Item No. 192 – Housing Administrative Cost Allowance in the amount of \$289,687. Pursuant to HSC section 34171 (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 Riverside (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. Therefore, \$289,687 of housing entity administrative allowance is not allowed.
- Administrative costs claimed exceed the allowance by \$329,199. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$877,752 is claimed for administrative costs, only \$548,553 is available pursuant to the three percent limit. Therefore, \$329,199 of the excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$830,586 and Other Balances totaling \$1,892,572.

Therefore, with the Agency's concurrence, the funding source for the following items has been reclassified to Reserve Balances and Other Funds in the amounts specified below:

- Item No. 78 – 2007 Series C Tax Exempt Tax Allocation Bonds in the amount of \$1,298,369. The Agency requested \$1,298,369 of RPTTF; however, Finance is reclassifying \$1,298,369 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$1,892,572 in available Other Balances. Therefore, Finance is approving RPTTF in the amount of \$0 and the use of Other Balances in the amount of \$1,298,369.
- Item No. 122 – 2007 Series C Tax Exempt Tax Allocation Bonds in the amount of \$1,430,869. The Agency requested \$1,430,869 of RPTTF; however, Finance is reclassifying \$594,203 to Other Funds and \$830,586 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$1,892,572 in available Other Balances and \$830,586 in Reserve Available Balances. Therefore, Finance is approving RPTTF in the amount of \$6,080 and the use of Other Balances in

the amount of \$594,203 and Reserve Balances in the amount of \$830,586, in total amount of \$1,430,869.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is \$14,526,780 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	29,258,397
Total RPTTF requested for administrative obligations	877,752
Total RPTTF requested for obligations	\$ 30,136,149
Total RPTTF requested for non-administrative obligations	
29,258,397	
<u>Denied Items</u>	
Item No. 18	(300,000)
Item No. 84	(329,072)
Item No. 87	(4,122,786)
Item No. 88	(1,125,454)
Item No. 89	(53,693)
Item No. 90	(360,751)
Item No. 91	(4,391,860)
Item No. 192	(289,687)
	<u>(10,973,303)</u>
Total RPTTF for non-administrative obligations	18,285,094
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 78	(1,298,369)
Item No. 122	(1,424,789)
	<u>(2,723,158)</u>
Total RPTTF authorized for non-administrative obligations	\$ 15,561,936
Total RPTTF requested for administrative obligations	
877,752	
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(329,199)
Total RPTTF authorized for administrative obligations	\$ 548,553
Total RPTTF authorized for obligations	
\$ 16,110,489	
ROPS 13-14A prior period adjustment	<u>(1,583,709)</u>
Total RPTTF approved for distribution	\$ 14,526,780

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations (prior to reclassification)	18,285,094
Percent allowed pursuant to HSC section 34171 (b)	<u>3%</u>
Total RPTTF allowable for administrative obligations	548,553
Total RPTTF administrative obligations after Finance adjustments	877,752
Administrative costs in excess of the cap	\$ (329,199)

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 denied on this ROPS or a preceding ROPS. The only

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exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (j). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Al Zelinka, Community Development Director, Riverside City
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office