

October 27, 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 14-15B) to the California Department of Finance (Finance) on September 12, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item Nos. 61 and 131 – Property maintenance costs totaling \$32,000 are not allowed. Agency requested funding for properties that are currently in escrow. Finance has recently approved OB Resolution Nos. 70 and 71 approving the purchase and development agreement for the subject properties. Therefore, these items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item Nos. 84 and 87 through 91 – City loan repayments in totaling \$11,670,560 payable from RPTTF funding are not allowed at this time. The Agency received a Finding of Completion on April 17, 2014. As such the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, 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 (CAC) 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. Pursuant to the repayment formula, outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$4,047,112. During ROPS 14-15A the Agency requested this amount

for Item No. 187. Therefore, the Agency may request funding for these loans on ROPS 15-16A.

- Item No. 193 – Note Payable to Pepsi-Cola Bottling Company in the amount of \$8,546,151 is not an enforceable obligation at this time. The Agency could not provide sufficient documentation to support the payment due. The Agency provided documentation such as promissory note, repayment schedule, and disposition and development agreement pursuant to which the note was made. However, these documents are not sufficient to support the requested amount due during the ROPS 14-15B period. The note states that the repayment shall commence after the issuance of a certificate of completion, which was not provided. To the extent the Agency can provide suitable documentation, such as the certificate of completion or payee invoices, to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.
- Claimed administrative costs exceed the allowance by \$371,588. 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. The Riverside Auditor-Controller's Office distributed \$548,553 administrative costs for the July through December 2014 period, thus leaving a balance of \$555,475 available for the January through June 2015 period. Although \$927,063 is claimed for administrative cost, only \$555,475 is available pursuant to the cap. Therefore, \$371,588 of excess administrative cost is not allowed.

Review of ROPS 14-15B included Agency's Oversight Board (OB) Resolution No. 72 authorizing the agency to transfer un-programmed bond funds from the merged University Corridor and Sycamore Canyon and the merged Downtown/Airport Industrial and Hunter Park/Northside redevelopment project areas for future acquisition of property located at 3093 Kansas Avenue. The Agency requested the expenditure of the bond proceeds for property located at 3093 Kansas Avenue with Item No. 194 on ROPS 14-15B. Finance approves the OB resolution and Item No. 194.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$17,448,982 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	30,902,098
Total RPTTF requested for administrative obligations	927,063
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 31,829,161</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>30,902,098</b>
<b>Denied Items</b>	
Item No. 61	(12,000)
Item No. 84	(335,720)
Item No. 87	(4,206,070)
Item No. 88	(1,148,190)
Item No. 89	(195,000)
Item No. 90	(1,305,000)
Item No. 91	(4,480,580)
Item No. 131	(20,000)
Item No. 193	(683,692)
	(12,386,252)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 18,515,846</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>927,063</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(371,588)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 555,475</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 19,071,321</b>
ROPS 13-14B prior period adjustment	(1,622,339)
<b>Total RPTTF approved for distribution</b>	<b>\$ 17,448,982</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 14-15A (July through December 2014)	18,285,094
Total RPTTF for 14-15B (January through June 2015)	18,515,846
Less approved unfunded obligations from prior periods	0
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>36,800,940</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	1,104,028
Administrative allowance for 14-15A (July through December 2014)	548,553
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>555,475</b>
Total RPTTF administrative obligations after Finance adjustments	927,063
<b>Administrative costs in excess of the cap</b>	<b>\$ (371,588)</b>

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the beginning available balances of \$3,449,997 of Other Funds. Therefore, Finance did not reclassify any available cash balances that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Chikako Takagi-Galamba, Manager or Beliz Chappuie, Supervisor at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting 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