



April 18, 2013

Ms. Lisa Brandl, Managing Director
County of Riverside
3403 10 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 13-14A) to the California Department of Finance (Finance) on March 4, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 No. 2 - 2005 Tax Allocation Revenue Bonds for \$52,014. The requested amount of \$3,591,594 exceeds the \$2,951,595 interest payment due October 2013 by \$639,999. According to the Agency, the \$639,999 consisted of the following:
 - Reserve of \$305,000 for the principle payment due October 2013 for the Desert Communities Project Area (DCPA)
 - Reserve of \$335,000 for the principle payment due October 2014 for the Mid County Project Area (MCPA)

While this item is an enforceable obligation, RPTTF funding had already been approved for the current period DCA principle amount on the January through June 2013 ROPS. Pursuant to HSC section 34171 (d)(1)(A), a bond reserve may be requested when required by bond indenture or when the next property tax allocation will be insufficient to pay all obligations due for the next payment due in the following half of the calendar year. Therefore, Finance will allow the Redevelopment Property Tax Trust Fund (RPTTF) funding of \$587,985 as reserves for the next ROPS period, consisting of the interest payments due April 2014 for MCPA of \$238,047 and for DCPA of \$349,938. As such, Finance is adjusting the requested RPTTF by \$52,014 (639,999-587,987).

- Item No. 15 – Coachella Valley Enterprise Zone Membership for \$800,000. According to a Joint Powers Agreement (JPA), the Coachella Valley Enterprise Zone Authority (CVEZA) was created by the County of Riverside (County) and the cities of Indio and Coachella to administer the Coachella Valley Enterprise Zone. The CVEZA members

were each required to contribute an annual fee of \$100,000. The Agency provided minute orders identifying that former redevelopment agency (RDA) funds were intended to be used towards the County's contribution. However, the JPA does not identify the RDA as a member, nor does it specify that RDA funds were to be used towards the County's annual contribution. Therefore, this item is not an enforceable obligation of the Agency and is not eligible for RPTTF funding.

- Item Nos. 374 and 375 – Housing Successor costs for the Norco and Coachella RDAs in the amount of \$1.5 million of reserve balance. Funds were requested for the County's role as the housing successor for Norco and Coachella RDAs in the amount of \$500,000 and \$1 million, respectively. These balances were requested to be retained in the Agency's Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR); however, were denied in Finance's February 25, 2012 LMIHF DDR determination letter. The Agency contends funds are needed due to lack of funding available for the County's role as the housing successor. Pursuant to HSC 34176(a)(1), upon the County's acceptance of the housing responsibilities for Norco and Coachella RDAs, all rights, duties, and obligations related to the housing functions of the former RDAs become the County's, not the Agency. Therefore, the items are denied as enforceable obligations and are not eligible for Reserve Balance funding. To extent the Agency believes these are state mandated costs, they can proceed through the state mandate process, which is completely separate and apart from the RDA dissolution process. Under no circumstances are these costs eligible for funding from any funding source on any ROPS.
- Item No. 376 – 99 Cent Store Façade Construction for \$100,000. This is a new item added to the ROPS because it was inadvertently omitted from ROPS III. According to a Right of Entry Agreement and Temporary Construction Easement between the RDA and owner, the RDA was to remove an overhang from the store which was encroaching on the county road right of way street improvements. The documentation provided does not support amount requested and no expenditure contract has been executed for the required work. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative costs claimed exceed the allowance by \$171,967. HSC section 34171 (b) limits fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$957,267 in administrative expenses. Although \$969,616 is claimed for administrative cost, Item No. 17 for Riverside Centre Lease in the amount of \$159,618 is considered a general administrative cost and is reclassified. Therefore, \$171,967 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 \$32,866,160 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 32,320,525
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 2	52,014
Item 15	100,000
Item 17*	159,618
Item 376	100,000
Total approved RPTTF for enforceable obligations	\$ 31,908,893
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	957,267
Minus: ROPS II prior period adjustment	0
Total RPTTF approved for distribution:	\$ 32,866,160

*Item reclassified as administrative costs

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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 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 34171 (d), HSC section 34191.4 (c)(2)(B)

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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 Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Rohini Dasika, Principal Development Specialist, County of Riverside
Ms. Pam Elias, Chief Accountant Property Tax Division, County of Riverside
California State Controller's Office