



May 17, 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

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Riverside Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 4, 2013 for the period of July through December 2013. 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 May 3, 2013.

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 No. 2 – 2005 Tax Allocation Revenue Bonds in the amount of \$3.6 million. Finance no longer denies this item. Finance originally denied \$52,014 because the amount requested exceeded the interest payment due that period. During the Meet and Confer session, the Agency provided an itemization of the bond debt and a schedule of when funds were requested. Due to a potential shortfall, the request for bond debt payments in previous ROPS included funding for future bond principal or interest payments; however, duplicate funding for the same payments were not requested. Therefore, this item is an enforceable obligation and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item Nos. 374 and 375 – Housing Successor costs for the Norco and Coachella RDAs in the amount of \$1.5 million of Reserve Balance. Finance continues to deny these items. Finance's letter dated February 25, 2012 denied the Agency's request to retain these funds in the Agency's Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR). During the Meet and Confer session, the Agency contends funds are needed for the County's role as the housing successor to the Norco and Coachella RDA. 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, these items continue to be denied as enforceable obligations and are not eligible for Reserve Balance funding. To the 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.

Upon further review, the Coachella housing costs includes litigation costs. Though litigation costs are an enforceable obligation, they do not transfer to the housing entity. Therefore, the Coachella litigation costs are the responsibility of the Coachella RDA. Funding for Coachella's litigation cost should be reported on Coachella successor agency's future ROPS.

- Item No. 376 – The 99 Cent Store Façade Construction in the amount of \$100,000. Finance continues to deny this item. The Right of Entry and Temporary Construction Agreement (Agreement) dated June 27, 2009 is between the RDA and owner. The agreement requires the RDA to remove a permanent awning overhang from the store that was encroaching on the county road right-of-way. However, the documentation provided does not support the amount requested on the ROPS and no contract has been executed for the required work. According to the Agency, the work cannot be completed until the road construction in front of the building has been completed. The agreement, states “the rights herein granted may be exercised for 12 months upon the execution of this agreement by all parties and continuing for 12 months, or until completion of said Project, whichever shall be sooner.” With the exception of the Board Motion for the Façade Improvement Program document, no additional documents were provided during the Meet and Confer session. It is also our understanding, four years has lapsed since the agreement was executed as a result, the rights and duties under the agreement have extinguished. Therefore, Finance continues to deny this item as an enforceable obligation and it is not eligible for RPTTF funding on the ROPS.

In addition, per Finance's ROPS letter dated April 18, 2013, the following items continue to be denied and were not contested by the Agency:

- 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.
- Administrative costs claimed exceed the allowance by \$170,407. 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 \$958,827 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, \$170,407 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. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$32,919,734 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 15	100,000
Item 17*	159,618
Item 376	100,000
Total approved RPTTF for enforceable obligations	\$ 31,960,907
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	958,827
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 32,919,734

*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.

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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) 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 Kylie Le, Supervisor or Michael Barr, 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