



April 15, 2013

Mr. Emilio Ramirez, Development Director  
City of Riverside  
3900 Main Street, 5th Floor  
Riverside, CA 92522

Dear Mr. Ramirez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Riverside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 1, 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. 18 – AutoCtr Business Improvement District in the amount of \$800,000. 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. 104 and 109 – Downtown Main Street repairs, maintenance and tenant improvement in the amount of \$988,000. Although maintenance costs are enforceable obligations, contracts for major repairs and improvement costs are not permitted. The contract provided for both of these obligations, ended in December 2012 and reverted to month-to-month basis. The amounts requested are not supported with documentation showing the work that needs to be completed. Therefore, these items are not eligible for funding RPTTF funding at this time.
- Item Nos. 119 and 120 – Downtown California Tower professional services in the amount of \$235,000. Although maintenance costs are enforceable obligations, contracts for major repairs and improvement costs are not permitted. The contract provided for both of these obligations, ended in June 30, 2010 and reverted to month-to-month basis. Furthermore, the contract was amended on March 2011 to increase the contract amount by \$70,500. However, the current amounts requested are not supported with

documentation showing the work that needs to be completed. Therefore, these are items not eligible for funding RPTTF funding at this time.

- Administrative costs claimed exceed the allowance by \$351,514. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$665,133 is claimed for administrative costs, only \$388,619 is available pursuant to the three percent limit. Therefore, \$351,514 of the excess administrative cost is not allowed. Additionally, Item No. 166 was reclassified as administrative cost.
- Item Nos. 152, 170 through 173, 180 through 186 – Various projects totaling \$13,845,562 funded with bond proceeds. These are previously denied items. HSC section 34163 (b) prohibits an agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded. Pursuant to HSC section 34191.4 (c), Agency's request to use bond funds for these obligations may be permitted once the Agency receives a finding of completion from Finance and if the bond proceeds requested for use were derived from bonds issued prior to January 1, 2011.
- Item Nos. 174 through 179 – City loan repayments in the amount of \$5,710,251 are not allowed at this time. These are previously denied items. HSC section 34176 (e) (6) (B) specifies that loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A falls within fiscal year 2013-14, the repayment of these City loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A). 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 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time. Upon receiving a finding of completion, the Agency will be allowed to request funding beginning with ROPS 14-15A.

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/](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: \$13,084,666 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 22,171,112
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 18	100,000
Item 104	213,000
Item 109	385,000
Item 119	57,500
Item 120	60,000
Item 166*	75,000
Item 174	167,191
Item 175	200,755
Item 176	54,803
Item 177	45,124
Item 178	303,176
Item 179	4,343,216
Item 187	3,212,368
Total approved RPTTF for enforceable obligations	<u>\$ 12,953,979</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	388,619
Minus: ROPS II prior period adjustment	<u>(257,932)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 13,084,666</b>

\*Reclassified as administrative cost.

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_13-14A_Forms_by_Successor_Agency/)

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