



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Riverside Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 1, 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 2, 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 items being disputed.

- Item No. 18 – AutoCtr Business Improvement District in the amount of \$800,000. Finance continues to deny this item. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. The Business Improvement District (BID) Funding Agreement was entered into on August 15, 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 Improvements totaling \$988,000. These items were originally denied stating that contracts for major repairs and improvement costs are not permitted due to lack of documentation. During the Meet and Confer process, the Agency provided documentation and has amended the total obligation during the 2013-14 fiscal year from \$988,000 to \$124,146. The following is Finance's determination based on the documentation provided:
 - Item No. 104 – Downtown Main Street in the amount of \$213,000. The Agency amended the total obligation during the 2013-14 fiscal year from \$213,000 to \$124,146 of RPTTF funding for routine repairs and maintenance costs. Finance does not object to the change and is partially approving only the amended amount of \$124,146. This request is in compliance with HSC section 34171 (d)

(1) (F) and is an enforceable obligation eligible for RPTTF funding. However, the remaining balance of \$88,854 is denied on this ROPS.

- Item No. 109 – Downtown Main Street – Tenant Improvement in the amount of \$775,000. The Agency amended the total obligation during the 2013-14 fiscal year from \$775,000 to zero to remove all funding requested from tenant improvements relating to the re-tenanting of vacant spaces. Finance does not object to the change. This item is no longer eligible for RPTTF funding on this ROPS. Therefore, the six-month total of \$385,000 is denied.
- Item Nos. 119 and 120 – Downtown California Tower Professional Services totaling \$235,000. These items were originally denied stating that contracts for major repairs and improvement costs are not permitted due to lack of documentation. During the Meet and Confer process, the Agency provided documentation and has amended the amounts and funding sources for each item. The following is Finance's determination based on the documentation provided:
 - Item No. 119 – Downtown California Tower Professional Services in the amount of \$115,000. The Agency amended the total obligation during the 2013-14 fiscal year from \$115,000 to \$100,000 of RPTTF funding for repairs, maintenance, and property management fees. Finance does not object to the change and no longer objects to this item. This request is in compliance with HSC section 34171 (d) (1) (F) and is an enforceable obligation eligible for RPTTF funding. Therefore, the six-month total for the amount to be denied in excess of \$50,000 is \$7,500.
 - Item No. 120 – Downtown California Tower Professional Services in the amount of \$120,000. The Agency amended the total obligation during 2013-14 fiscal year from \$120,000 to \$135,000 from RPTTF funding to bond proceeds for tenant improvement costs. Finance does not object to the changes made to the amount and funding source. However, since this item was originally claimed as RPTTF funding for \$60,000, this amount will no longer be eligible for RPTTF funding on this ROPS.

Prior to the Meet and Confer, the Agency received a Finding of Completion (FOC) on April 17, 2013. The Agency has effectively encumbered the funds for major repairs and tenant improvement costs through their Professional Consultant Agreement with Inland Pacific Advisors. Therefore, the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c). As such, this item is an enforceable obligation and eligible for funding from bond proceeds on the ROPS.

- Item Nos. 152, 170 through 173, and 180 through 186 – Various projects totaling \$13,845,562 funded with bond proceeds. Finance is no longer denying these items. Pursuant to HSC section 34191.4 (c) the Agency's requests to use bond funds for these obligations may be allowable once the Agency receives a FOC from Finance.

Prior to the Meet and Confer, the Agency received a FOC from Finance on April 17, 2013. Therefore, the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per

HSC section 34191.4 (c). As such, these items are enforceable obligations and eligible for expenditure on this ROPS.

- Item Nos. 174 and 179 – City Loan Repayments in the amount of \$5,710,251. Finance continues to deny these items at this time. Pursuant to HSC section 34171 (d) (2), these items were originally denied stating that the interagency loans or agreement between the City and the Agency are not enforceable obligations.

The Agency received a FOC on April 17, 2013. As such, after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable obligations in the future ROPS periods and eligible for RPTTF funding.

- Item No. 166 – Legal Counsel for Successor Agency Board in the amount of \$75,000. Finance no longer reclassifies this item as an administrative expense. The Agency contends the item is an enforceable obligation because HSC section 34171 (b) states the administrative cost allowance excludes any litigation expenses related to assets or obligations, settlements and judgments, and the cost of maintaining assets prior to disposition. Agency provided documentation to validate this expense is related to litigation and project specific legal services. Therefore, this item is considered an enforceable obligation and eligible for RPTTF funding on the ROPS.
- Although not contested by the Agency, the excess administrative costs amount was adjusted based on the reclass of item No. 66 from an administrative expense to an enforceable obligation. As a result, administrative costs claimed exceed the allowance by \$269,039. 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 \$396,094 is available pursuant to the three percent limit. Therefore, \$269,039 of the excess administrative cost is not allowed.

In addition, per Finance's ROPS letter dated April 15, 2013, the following item continues to be denied and was not contested by the Agency:

- Item No. 187 – Supplemental Educational Revenue Augmentation Fund Loan Repayment in the amount of \$3,212,368. Finance continues to deny this item at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. Therefore, this item is not eligible for funding at this time. The Agency will be able 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. 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 RPTTF distribution for the reporting period is: \$13,341,287 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 22,171,112
Minus: Six-month total for items denied	
Item 18	100,000
Item 104	88,854
Item 109	385,000
Item 119	7,500
Item 120	60,000
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	\$ 13,203,125
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	396,094
Minus: ROPS II prior period adjustment	(257,932)
Total RPTTF approved for distribution:	\$ 13,341,287

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

Mr. Emilio Ramirez
May 17, 2013
Page 5

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 Wendy Griffe, Supervisor or Medy Lamorena, 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