DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 14, 2014

Ms. June Overholt, Deputy City Manager/Administrative Services Director
City of Banning
99 East Ramsey Street
Banning, CA 92220

Dear Ms. Overholt:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Banning Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 14-15A at this time.

During ROPS 13-14B the Agency had requested $595,000 of Redevelopment Property Tax Trust Fund (RPTTF) for debt service payment reserves due during ROPS 14-15A. The use of Reserves should have been requested on ROPS 14-15A. Therefore, the following adjustments (these adjustments have no impact to the total amount of RPTTF requested) have been made to the Agency's ROPS:

Item Nos. 1, 2, and 6 – Tax Allocation Bonds (Item Nos. 1 and 2) and Bond Reserve Funds (Item No. 6). It is our understanding that Item No. 6, along with Item Nos. 1 and 2 represent the total payment due during the ROPS 14-15A period. Therefore, the RPTTF request for $595,000 for Item No. 6 has been reduced to $0 while the requested RPTTF for Item No. 1 has been increased by $240,000 and the RPTTF requested for line Item No.2 has been increased by $355,000 for a total of $595,000 ($240,000 + 355,000). Additionally, the Agency requested $0 in Reserve Balances; however, Finance authorized $595,000 of RPTTF to be held as a Reserve Balance during the ROPS 13-14B period for debt service payments for the next ROPS period. Therefore, the requested Reserve Balances for Item No. 1 has been increased by $240,000 and the Reserve Balance requested for Item No. 2 has been increased by $355,000 for a total of $595,000 ($240,000 + 355,000).

Lastly, the Agency may continue to request reserve RPTTF for Bond Reserve Funds on line Item No. 6 on future ROPS, however, the use of the reserve balances should be included on Item Nos. 1 and 2.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC

section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling $40,566.

Therefore, the funding source for the following item has been reclassified to Reserve Balances in the amount specified below:

Item No. 1 – 2003 Tax Allocation Bonds in the amount of $724,398. The final adjusted amount requested was $484,398 of RPTTF; however, Finance is reclassifying $40,566 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require full payment from property tax revenues and the Agency has $40,566 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $443,832 ($484,398 - $40,566) and the use of Reserve Balances, including the use of RPTTF received during ROPS 13-14B, in the amount of $280,566 ($240,000 + $40,566) for a total approved amount of $724,398.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is $1,584,054 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		1,511,049
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**1,636,049**
Total RPTTF requested for non-administrative obligations		**1,511,049**
Cash Balances - Item reclassified to other funding sources		
Item No. 1		(40,566)
		(40,566)
Total RPTTF authorized for non-administrative obligations	**$**	**1,470,483**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,595,483**
ROPS 13-14A prior period adjustment		(11,429)
Total RPTTF approved for distribution	**$**	**1,584,054**

Please refer to the ROPS 14-15A 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 July 1 through December 31, 2014. 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 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 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 Beliz Chappuie, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Bill Manis, Economic Development Director, City of Banning
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office