

May 16, 2014

Mr. Randy Anstine, City Manager
City of Calimesa
908 Park Avenue
Calimesa, CA 92320

Dear Mr. Anstine:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Calimesa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 April 23, 2014.

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. 13 – Project No. 5 Pass-Through Claim in the amount of \$13,038. This item has been renumbered to Item No. 7 in order to keep ROPS items in sequential order. Finance continues to deny this item. Finance initially denied this item because the agreement entered into on February 20, 1987 is between the County of Riverside, Riverside County Superintendent of Schools, and the Redevelopment Agency of the County of Riverside (County RDA); the former Redevelopment Agency (RDA) for the City of Calimesa is not a party to the contract. During the Meet and Confer process, the Agency stated that a Jurisdictional Transfer Agreement was entered into between the former RDA and the County RDA to transfer all rights, powers, obligations, debts, and responsibilities to the former RDA from the County RDA. Additionally, the Agency provided a demand letter from the Riverside County Office of Education that requested payments of underfunded pass-throughs for fiscal years 2007-08 through 2010-11 based on a Los Angeles Unified School District (LAUSD) court decision. However, this demand is based on a LAUSD court decision and the Agency was not a named party. Therefore, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 15 – Project Area Nos. 1 and 5 in the amount of \$4,949,742. This item has been renumbered to Item No. 9 in order to keep ROPS items in sequential order. Finance continues to deny additional funding for this item. The request represents

estimated debt service payments for the 2014 refunding loans. The Agency had submitted on Oversight Board Resolution approving the refunding, which Finance was reviewing. Finance denied this item because at the time of the review, the refunding of the bonds had not occurred. During the Meet and Confer process, the Agency contended that Finance has approved the refunding of the 2008 Tax Allocation Bonds. However, it is our understanding the Agency has not refunded the 2008 Tax Allocation Bonds at this point. Should the Agency be successful in refunding the 2008 Tax Allocation Bonds during this period, Finance expects the Agency to adjust spending authority for payments of the existing bonds accordingly. As required by HSC section 34186 (a), the Agency should report the estimated obligations and actual payments. Any unspent funds should be reported as prior period adjustments. Therefore, the \$140,000 request for this item is not eligible for RPTTF funding because funding for Item Nos. 1 and 2, bond debt payments for the 2008 Tax Allocation Bonds, has been approved. The Agency cannot receive funding for both the 2008 Tax Allocation Bonds and the 2014 refunding loans on the ROPS.

Finance has made item number changes to the Agency ROPS. The Agency submitted a ROPS with lines 7-12 blank and entered new obligations in lines 13-15. In order to maintain items in sequential order, Item No. 13 has been renumbered to Item No. 7, Item No. 14 has been renumbered to Item No. 8, and Item No. 15 has been renumbered to Item No. 9.

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 items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$280,827 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	308,925
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 433,925
Total RPTTF requested for non-administrative obligations	308,925
<u>Denied Items</u>	
Item No. 7	(13,098)
Item No. 9	(140,000)
	(153,098)
Total RPTTF authorized for non-administrative obligations	\$ 155,827
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 280,827
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 280,827

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

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.

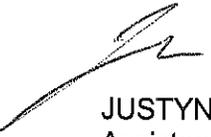
To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d),

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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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Judith Von Klug, Assistant City Manager, City of Calimesa
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office