DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 9, 2014

Mr. John Jansons, Community Investment Director
City of Hemet
455 East Florida Avenue
Hemet, CA 92543

Dear Mr. Jansons:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hemet Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 10, 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.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation for the reasons specified:

Item No. 11 – Housing entity administrative cost allowance in the amount of $2,550,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Hemet (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, $2,550,000 of housing entity administrative allowance is not allowed.

In order to ensure consistency for this and future ROPS reviews, Finance has made corrections on the ROPS form that was submitted by the Agency. Specifically, Finance made the following changes that were agreed upon by the Agency:

- Item No. 6 – Affordable Housing Monitoring Costs. The item was denied on prior ROPS and the Agency deleted the item from ROPS 14-15A. However, the Agency should mark the item as retired if funding is no longer requested for this item. Finance has added it back as Item No. 6.

- Item No. 7 – Loan from City of Hemet to fund Due Diligence Review. This Item was deleted from ROPS 14-15A. However, it was reported as Item No. 7 on prior ROPS. Therefore, Finance has added it back as Item No. 7 on ROPS 14-15A.

- Item No. 8 – Bond Debt Service Reserve Charge. The Item was Item No. 8 on previous ROPS. However it was listed as No. 6 on ROPS 14-15A. Therefore, Finance has changed it back to Item No. 8.

- Item No. 10 – Property Tax Administration Fee. The Item used to be Item No. 10 on previous ROPS. However, the Agency listed it as No. 7 on ROPS 14-15A. Therefore, Finance has changed it back to Item No. 10.

- Item No. 11 – Housing entity administrative cost allowance. The Item was listed on ROPS 14-15A as item No. 8 and is a new requested obligation which will now receive the next sequential number as Item No. 11.

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. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is $640,372 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		783,965
Total RPTTF requested for administrative obligations		200,000
Total RPTTF requested for obligations	**$**	**983,965**
Total RPTTF requested for non-administrative obligations		**783,965**
Total RPTTF authorized for non-administrative obligations	**$**	**783,965**
Total RPTTF requested for administrative obligations		**200,000**
Denied Item		
Item No. 11		(75,000)
		(75,000)
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**908,965**
ROPS 13-14A prior period adjustment		(268,593)
Total RPTTF approved for distribution	**$**	**640,372**

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: Ms. Donna Rowley, Accounting Manager, City of Hemet
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office