



May 16, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 9, 2014. 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 Finance on March 10, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 9, 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 24, 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 item being disputed.

- Item No. 11 – Housing entity administrative cost allowance in the amount of \$2,550,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (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 (RDA) 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 (ABx1 26 and AB 1484).

The Agency contends that the City designated the Authority, as a separate legal entity from the City, to retain the housing functions pursuant to HSC section 34176 (b) (3) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. The "city" definition under HSC section 34167.10 (a) states that it is for the purpose of Part 1.85 (commencing with Section 34170), which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the

Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "The provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$2,550,000 of housing entity administrative allowance.

In addition, per Finance's letter dated April 9, 2014, we continue to make adjustments to the ROPS form submitted by the Agency. These adjustments are being made in order to ensure consistency for this and future ROPS reviews. Specifically, Finance made the following changes that were agreed upon by the Agency and not contested during the Meet and Confer:

- 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 Redevelopment Property Tax Trust Fund (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.

Except for the item 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 \$640,372 as summarized below:

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

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), 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.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, 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