



May 16, 2014

Mr. Christopher Hans, Chief Deputy County Executive Officer  
Riverside County  
3403 10 Street, Suite 300  
Riverside, CA 92501

Dear Mr. Hans:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 4, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Riverside Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 20, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 4, 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 16, 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 Nos. 79 through 87 and 99 – Various costs associated with Mission Plaza totaling \$10,672,077. Finance continues to deny these items for the reasons previously stated. However, we note that these items are the subject of litigation and settlement talks. To the extent the litigation is concluded, and the conclusion impacts these items, Finance will issue a revised determination letter making any necessary adjustments, including the approval of expenditures of bond proceeds for these items.
- Item Nos. 377 and 378 – Various projects totaling \$7,300,000 from 2006 Bond Proceeds. Finance no longer denies these items. Finance initially denied these items because the Agency did not have a Finding of Completion. During the Meet and Confer process, the Agency received a Finding of Completion on April 18, 2014. Pursuant to HSC section 34191.4 (c), the Agency can now spend proceeds derived from bonds issued prior to December 31, 2010. In addition, the Agency provided third party estimates and other documentation supporting the amounts requested for the ROPS 14-15A period. Therefore, these items are approved for the use of excess bond proceeds.
- Item No. 382 – Housing Successor Administrative Cost allowance in the amount of \$264,142. 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 RDA of the County of Riverside (County) is the County-formed Housing Authority (Authority), and the Authority operates under the control of the County, the Authority is considered the County under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the County elected not to retain the housing functions, but the Authority, as a separate legal entity from the County, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "county" includes, but is not limited to, any reporting entity of the county for purposes of its comprehensive annual financial report (CAFR), any component unit of the county, or any entity controlled by the county or for which the county is financially responsible or accountable. HSC section 34167.10 (a) defines "county" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the County's CAFR, which identifies the Authority as a blended component unit of the County and states that the County is financially accountable for the blended component units.

Although the Authority is a separate legal entity from the County, 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 County, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$264,142 of housing entity administrative allowance.

Our review indicates that the Agency reused Item No. 376 that was assigned to the 99 Cents Façade Construction project which was retired on ROPS 13-14B. Once an item is retired, they will not show up on future ROPS form but the item number will continue to be assigned to that specific retired obligation indefinitely. Therefore, with the Agency's concurrence, Finance has renumbered Item Nos. 376 through 381 to 377 through 382.

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 \$16,397,591.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified from RPTTF Non-Admin to Reserve Balances in the amounts specified below:

Item No.	Project Name/Debt Obligation	Non-Admin RPPTF Requested	Reclassified to Reserves
1	2004 Tax Allocation Revenue Bonds	\$ 2,249,038	\$ 2,249,038
2	2005 Tax Allocation Revenue Bonds	3,225,794	3,225,794
3	2006 TARB Series A	3,445,216	3,445,216
8	2010 TARB Series D	2,162,003	2,162,003
10	2011 TARB Series D	320,863	320,863
13	CORAL - Bellegrave	128,850	128,850
36	2004 Hsg Bonds Series A	945,313	945,313
37	2004 Hsg Bonds Series A-T	701,098	701,098
38	2005 Hsg Bond Series A	342,953	342,953
39	2010 Hsg Bonds Series A	476,550	476,550
40	2010 Hsg Bonds Series A-T	1,787,163	1,787,163
41	2011 Hsg Bonds Series A	234,413	234,413
42	2011 TA Hsg Bonds Series A-T	377,025	377,025
	<b>Total</b>	<b>\$ 16,396,279</b>	<b>\$ 16,396,279</b>

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 denied in whole or in part as enforceable obligations or for the items that have been reclassified, 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 \$9,851,895 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	26,414,210
Total RPTTF requested for administrative obligations	1,056,568
<b>Total RPTTF requested for obligations</b>	<b>\$ 27,470,778</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>26,414,210</b>
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 1	(2,249,038)
Item No. 2	(3,225,794)
Item No. 3	(3,445,216)
Item No. 8	(2,162,003)
Item No. 10	(320,863)
Item No. 13	(128,850)
Item No. 36	(945,313)
Item No. 37	(701,098)
Item No. 38	(342,953)
Item No. 39	(476,550)
Item No. 40	(1,787,163)
Item No. 41	(234,413)
Item No. 42	(377,025)
	(16,396,279)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 10,017,931</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>1,056,568</b>
<u>Denied Item</u>	
Item No. 382	(264,142)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 792,426</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 10,810,357</b>
ROPS 13-14A prior period adjustment	(958,462)
<b>Total RPTTF approved for distribution</b>	<b>\$ 9,851,895</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.

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. Rohini Dasika, Senior Management Analyst, Riverside County  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
California State Controller's Office