



April 26, 2012

Michael McDermott, Development Manager
City of Perris
101 North D Street
Perris, CA 92570

Dear Mr. McDermott:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Perris Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the periods January through June 2012, and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. The few contracts provided were between the City of Perris and third parties. It is our understanding that no contracts between the redevelopment agency and the third parties were signed prior to June 28, 2011 for the following items:
 - Item No. 20, 22, 29, 31, 35, 36, and 47 totaling \$10.6 million for the period January through June 2012.
 - Item No. 19, 21, 26, 29, and 30 totaling \$6.8 million for the period July through December 2012.
- The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities. The following have been labeled as set aside:
 - Item No. 51, 52, and 53 totaling \$27.4 million for the period January through June 2012.
 - Item No. 42, 43, and 44 totaling \$27.4 million for the period July through December 2012.
- HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated or \$250,000, whichever is greater and 3% or \$250,000, whichever is greater, for each year thereafter.
 - Five percent of the property tax allocated to the City of Perris Successor Agency in 2011-12 equated to \$105,358. Since there is a \$250,000 minimum funding for administrative costs, the amount above the minimum

or \$266,393 of the claimed \$516,393 for the period January through June 2012 is not allowed.

- o Three percent of the property tax allocated to the City of Perris Successor Agency in 2012-13 equates to \$103,413. Since there is a \$250,000 minimum funding for administrative costs, the amount above the minimum or \$266,393 of the claimed \$516,393 for the period July through December 2012 is not allowed.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Robert Scott or Jenny DeAngelis at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County
Ms. April Nash, Supervising Accountant, Riverside County