CITY OF RIVERSIDE

Office of the
City Manager

April 24, 2012

Mark Hill
Program Budget Manager
Department of Finance
915 L Street
Sacramento, CA 95814-3706

Dear Mr. Hill:

Thank you for your letter dated April 13, 2012, and your approval of the items listed in the City of Riverside as Successor Agency to the Riverside Redevelopment Agency's ("Successor Agency") Recognized Obligation Payment Schedule for the time period of January 1, 2012 through June 30, 2012 ("ROPS"), with the exception of certain line items which will be discussed in more detail below. Because there is a lot of information that we will be providing, we would like to meet in person to go over everything in more detail. We will be contacting you to arrange that meeting. In the meantime, we do agree that the following items are not enforceable obligations and we will be removing them from the ROPS:

Page 1, Line Item 38: Grant Agreement between City and Housing Authority
Page 2, Line Item 13: LM LS-Targets of Opportunity-La Sierra/Arlanza

As for the remaining items listed in your letter we believe that these items are in fact enforceable obligations. We have detailed our position and all supporting documents attached are in their corresponding folders as outlined in the attached Document Transmittal Summary.

Page 1, Line Item 21: University Village Parking Structure Loan (Folder 1)

This item is not a loan between the City of Riverside ("City") and the Redevelopment Agency. It is a transaction dating back to an original Disposition and Development Agreement for University Village dated July 25, 1995 between the Redevelopment Agency of the City of Riverside ("Agency") and University Village, LLC. The University Village Parking Loan referenced in the ROPS is one of many obligations under the Eighth Implementation and Amendment Agreement re University Village Development between the City, the Agency, University Village LLC and Monroe Indio Inc. dated October 5, 2004. This agreement has many cross obligations between the parties, one of which is the repayment of debt. The required payments for debt service have been made pursuant to this agreement, since the initial Certificates of Participation ("COPS") debt issuance in 2006, by the City on the Agency's behalf

and qualifies as an indebtedness obligation pursuant to Health and Safety Code section 34178 (b)(1). Additionally, University Village LLC is required to make tax shortfall payments to fund the cost of the debt service not provided by tax increment resulting from redevelopment of the site. The Successor Agency is obligated to University Village LLC and Monroe Indio Inc. to utilize tax increment resulting from their development of the property, to help fund the debt service on the COPs that were issued to fund the project.

Because this transaction is contractually committed to third parties (University Village LLC and Monroe Indio Inc.), it does not fall within Health and Safety Code section 34171 (d)(2) and is an enforceable obligation pursuant to Health and Safety Code section 34178 (b)(1). We have attached back up documentation supporting this obligation.

Page 1, Line Item 26: Revolving Line of Credit for Low/Mod Housing (Folder 2)

This Line of Credit issued to the Agency by City National Bank was opened in 2009 and authorized the Agency to draw up to Twenty Million Dollars. The date of the last draw on this line of credit was December 2009, and through this line of credit the Agency was able to acquire 17 housing units for an affordable housing program. The funds borrowed are all due and payable on July 1, 2012 and accrued interest is due monthly. The funds withdrawn have been used to acquire and rehabilitate foreclosed properties and then make them available for sale to low and moderate income families. As of February 1, 2012, the amount of $1,099,961.81 is outstanding (principal and interest). The payment of the outstanding principal was initially included on the July-December 2012 ROPS. However, because July 1 is a Sunday, we have determined that the actual payment will need to occur in June 2012 and be included in the January – June 2012 ROPS. No further funds will be drawn on this line of credit. The ROPS has been updated to reflect the estimated monthly interest charges and the total amount due in June 2012. This specific line item will be removed from the July – December 2012 ROPS. However, it is an appropriate enforceable obligation under the ROPS. Please see the attached back up documentation relating to this Line of Credit which includes a list of the specific homes acquired with the subject funds

Page 1, Line Item 27: City loan entered into on October 1, 2006 – Downtown (First to Third Project #1) (Folder 3)

This line item was paid in full in January 2012 by the Agency, in accordance with the approved EOPS. This debt has been satisfied. This item was listed because DOF requested that we include the month of January 2012 on the ROPS, as well as all fiscal year obligations from July 1, 2011.

Page 1, Line Item 28: City loan entered into on March 1, 2007 – Downtown (First to Third Project #2) (Folder 4)

This line item was paid in full in February 2012 by the Successor Agency, as an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(2) and in accordance with the approved EOPS. This debt has been satisfied.

Page 1, Line Item 29: City loan entered into on May 1, 2007 – Downtown (Olivewood Property Assembly) (Folder 5)

This loan was made to the Agency in 2007 when the Agency acquired surplus property from the City. The note is held by an Enterprise Fund tied to the City's sewer rate payers. The failure to repay an Enterprise Fund loan presents possible Proposition 218 issues because if there are insufficient funds in the subject enterprise fund then a rate increase could be necessary. As you may be aware, a municipality can only raise rates to cover actual costs of services provided. In the event the enterprise fund is unable to meet its costs of services a rate increase may be required. If these funds are not repaid, rate payers would have to absorb the default and an increase in sewer rates may be necessary. This may also give rise to a rate payer lawsuit.

Because this transaction will negatively impact third parties (sewer rate payers), it does not fall within Health and Safety Code section 34171 (d)(2) and is an enforceable obligation pursuant to Health and Safety Code sections 34167(d)(2) and 34178 (b)(1). Please see the attached back up documentation.

If this line item is not approved, the property acquired by the Agency should not be deemed Agency property for disposition. Rather, it must be conveyed to the City to allow for resale and repayment to this Enterprise Fund to make the City rate payers whole.

Page 1, Line Item 30: City loan entered into on April 1, 2008 – Downtown (Municipal Auditorium Renovations) (Folder 30)

This loan was made to the Agency in 2008 and was a valid transaction at the time of creation and has been an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(2). A loan was made from one of the City's Enterprise Funds currently tied to the worker's compensation fund. The worker's compensation fund is comprised of sewer funds, electric funds, water funds and general funds, three of which are tied to rate payers. Again, as stated in detail above, the failure to repay an Enterprise Fund loan presents possible Proposition 218 issues because if there are insufficient funds in the subject enterprise fund then a rate increase could be necessary. A municipality can only raise rates to cover actual costs of services

provided. In the event the enterprise fund is unable to meet its costs of services a rate increase may be required. If these funds are not repaid, rate payers would have to absorb the default and an increase in rates may be necessary. This may also give rise to a rate payer lawsuit.

Because this transaction will negatively impact third parties (sewer, electric and water rate payers), it does not fall within Health and Safety Code section 34171 (d)(2) and is an enforceable obligation pursuant to Health and Safety Code sections 34167(d)(2). We have attached documentation in support of our position.

Page 1, Line Item 31: City loan entered into on April 1, 2008 – Downtown (Utilities Plaza Acquisition) (Folder 7)

The property subject to the loan was originally purchased by the Agency from the City in 2008 and was financed by a loan held by the City through an Enterprise Fund. On March 30, 2012, the Oversight Board approved the transfer of the property subject to the loan to the City as the property was rehabilitated/improved and used for a governmental purpose as a public utility payment center and a 311 call center (Item #5). This transfer is authorized pursuant to Health and Safety Code section 34181(a). The loan will be transferred to the City and will be removed from subsequent ROPS. However, at the time of this ROPS it was still an enforceable obligation for debt service pursuant to Health and Safety Code sections 34167 (d)(2) and 34178(b)(1). See also the discussion above regarding Enterprise Fund loans and obligations to rate payers. We have attached documentation in support of our position.

Page 1, Line Item 32: City loan entered into on August 1, 2009 – Downtown (3615-3653 Main Street Acquisition) (Folder 8)

The property located at 3615-3653 Main Street was acquired by the Agency in 2009. The Agency had to incur this debt, to purchase the subject property, as required by an existing Disposition and Development Agreement ("DDA") related to an adjacent project. Without this loan, the Agency would have been unable to honor its obligations under the DDA.

In order to acquire the property a loan was made from one of the City's Enterprise Funds currently tied to the worker's compensation fund. The worker's compensation fund is comprised of sewer funds, electric funds, water funds and general funds, three of which are tied to rate payers. Again, as stated in detail above, the failure to repay an Enterprise Fund loan presents possible Proposition 218 issues because if there are insufficient funds in the subject enterprise fund then a rate increase could be necessary. A municipality can only raise rates to cover actual costs of services provided. In the event the enterprise fund is unable to meet its costs of services a rate increase may be required. If these funds are not repaid, rate payers would have to absorb

the default and an increase in rates may be necessary. This may also give rise to a rate payer lawsuit.

Because this transaction will negatively impact third parties (sewer, electric and water rate payers), it does not fall within Health and Safety Code section 34171 (d)(2) and is an enforceable obligation pursuant to Health and Safety Code sections 34167(d)(2) and 34178 (b)(1). We have attached documentation in support of our position.

If this line item is not approved, the property acquired by the Agency should not be deemed Agency property for disposition. Rather, it must be conveyed to the City to allow for resale and repayment to this Enterprise Fund to make the City rate payers whole.

Page 1, Line Item 33: City loan entered into on September 1, 2010 – Downtown (3225 Market Street Acquisition) (Folder 9)

The property located at 3225 Market Street was acquired by the Agency in 2010, with the use of money loaned by one of the City's Enterprise Funds. As was stated in detail regarding 3615 - 3653 Main Street, the loan is actually an obligation to third parties and is an authorized enforceable obligation pursuant to Health and Safety Code sections 34167(d)(2) and 34178 (b)(1). We have attached documentation in support of our position.

If this line item is not approved, the property acquired by the Agency should not be deemed Agency property for disposition. Rather, it must be conveyed to the City to allow for resale and repayment to this Enterprise Fund to make the City rate payers whole.

Page 1, Line Item 34: City Public Utilities Reimbursement Agreement March 1, 2011 – Downtown (Reid Park Acquisition) (Folder 10)

This reimbursement agreement was entered into on January 25, 2011 between the Agency and City to allow Reid Park to remain a public park as it was owned by a Utility Fund; in order to comply with Proposition 218, the Utility Fund needed to sell the property. The Agency purchased the property to ensure that it would remain a public park and to prevent blight from occurring. This was approved by the Redevelopment Agency Board of Directors and City Council with the required resolutions and findings wherein they approved using Agency funds for the purchase. A loan was provided by the City's Enterprise Fund (electric), and presents possible Proposition 218 issues. Again, as stated in detail above, the failure to repay an Enterprise Fund loan presents possible Proposition 218 issues because if there are insufficient funds in the subject enterprise fund then a rate increase could be necessary. A municipality can only raise rates to cover actual costs of services provided. In the event the enterprise fund is

unable to meet its costs of services a rate increase may be required. If these funds are not repaid, rate payers would have to absorb the default and an increase in rates may be necessary. This may also give rise to a rate payer lawsuit.

Because this transaction will negatively impact third parties (electric rate payers), it does not fall within Health and Safety Code section 34171 (d)(2) and is an enforceable obligation pursuant to Health and Safety Code sections 34167(d)(2) and 34178 (b)(1). We have attached documentation in support of our position.

If this line item is not approved, the property should not be deemed Agency property for disposition. Rather, it should remain under City ownership.

Page 1, Line Item 35: City Public Utilities Reimbursement Agreement March 1, 2011 – Downtown (Riverside Golf Course Acquisition) (Folder 11)

This reimbursement agreement was entered into on January 25, 2011 between the Agency and City to facilitate future commercial development and a potential sports park to benefit the surrounding community and the City as a whole. The transaction and loan by the City's Enterprise Fund (electric) approved by the Redevelopment Agency Board of Directors and City Council with the required resolution and findings. The Enterprise Fund loan presents possible Proposition 218 issues because if there are insufficient funds in the subject enterprise fund then a rate increase may be necessary. A municipality can only raise rates to cover actual costs of services provided. In the event the enterprise fund is unable to meet its costs of services a rate increase may be required. This may also give rise to a rate payer lawsuit.

Because this transaction will negatively impact third parties (sewer rate payers), it does not fall within Health and Safety Code section 34171 (d)(2) and is an enforceable obligation pursuant to Health and Safety Code sections 34167(d)(2) and 34178 (b)(1). We have attached documentation in support of our position.

If this line item is not approved, the property should not be deemed Agency property for disposition. Rather, it should remain under City ownership.

Page 1, Line Item 36: City loan entered into on March 1, 2011 – Downtown (3836-3844 Second Street Acquisition) (Folder 12)

This loan was for property that was conveyed to the Successor Housing Agency on March 30, 2012 in accordance with Oversight Board approval (Item #6) and as allowed by Health and Safety Code section 34181 (c). The current debt on the property for the City Loan will be

transferred with the property and will be removed from the ROPS. However, it is appropriate that we listed this item on the ROPS since this ROPS covered January – June 2012 and this transfer was not approved by the Oversight Board until March, 2012.

Page 1, Line Item 37: Cooperative Agreement (Code and Graffiti services in project areas) (No Folder)

This line item was paid by the Successor Agency through January 31, 2012, as an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(2) and in accordance with the approved EOPS.

Funding for this agreement was terminated on February 1, 2012, the effective date of the elimination of the Redevelopment Agency. The line item was included on the ROPS because DOF requested that the month of January 2012 be included as well as all fiscal year obligations from July 1, 2011. The amount funded in January was inadvertently included in the amount paid from July 2011 – December 2011 and should indicate a payment of $174,116, and the actual expenditures column for July 2011 – December 2011 should read $1,044,696. The ROPS has been updated to reflect this payment; there will be no estimated payments listed for this specific line item in future ROPS.

Page 3, Line Item 34: Arlington Park Childcare (Bonds) (Folder 13)

Pursuant to Health and Safety Code section 34171(d)(1)(A) enforceable obligations include bonds and any debt and payment obligations required under the bond indentures. While this project has not awarded a construction contact, it was approved back in 2009. Further, it has always been intended to be funded with bond proceeds as allowed by Health and Safety Code section 34177(i). Section 34177(i) states "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." The intent to fund with bond proceeds is also evidenced by the attached documents including the Indenture of Trust between the Agency and U.S. Bank National Association dated April 1, 2007. The bond indenture indicates that funds are to be expended in accordance with the Agency's Redevelopment Plan. The Agency's Implementation Plan lists projects to be funded with the bond proceeds, and the Arlington Park Childcare center is listed in the Implementation Plan as well as the Redevelopment Plan. Further, these bonds cannot be defeased until 2017. This project has been fully designed and bids have been received which would allow for timely completion of the project as intended.

This project, and the statement of intended bond funding, is also included with the Cooperation, Implementation and Funding Agreement dated March 8, 2011 between the Agency and the City which is an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(5).

Page 4, Line Item 4: Villegas Park Improvements (Bonds) (Folder 14)

Pursuant to Health and Safety Code section 34171(d)(1)(A) enforceable obligations include bonds and any debt and payment obligations required under the bond indentures. This project was intended to be funded with bond proceeds, as allowed by Health and Safety Code section 34177(i). Section 34177(i) states "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." The bond indentures indicate that bond funds are to be expended in accordance with the Redevelopment Plan. The Villegas Park Improvements are listed in the Agency's Redevelopment Plan. Further, these bonds cannot be defeased until 2017.

Further, this project, and the statement of intended bond funding, is also included with the Cooperation, Implementation and Funding Agreement dated March 8, 2011 between the Agency and the City which is an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(5).

Page 4, Line Item 13: Corp Yard Renovation (Bonds) (Folder 15)

This is a construction contract with Dalke and Sons Construction Inc., entered into on June 22, 2011. The construction agreement was entered into after approvals on December 15, 2009 and June 7, 2011 by the Redevelopment Agency Board and City Council with the required resolution and findings. This funding by the Agency was authorized under Redevelopment Law and the Casa Blanca Redevelopment Plan. Further, without the Agency funding, the City did not have sufficient funding for the project and it would not have been accomplished. This transaction was prior to the effective date of AB 26 and the dissolution of the Agency.

The City would not have entered into this agreement with the contractor but for the Agency's commitment to pay for the construction. The contractor has also relied on the commitment of the Agency by entering into the contract with the City. Further, Health and Safety Code section 34177 (i) states that the successor agency is required to "Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties." Health and Safety Code section 34177 (i) also states that "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." These bonds cannot be defeased until 2017.

In this case, contracts have been let, construction is underway and it would be contrary to the provisions of AB x1 26 to prohibit completion of the project and full funding with the bond

proceeds as approved by the Successor Agency Board, the Oversight Board and the Department of Finance previous approval of the EOPS. A substantial portion of the bond proceeds have already been expended on the project in accordance with the previously approved EOPS and, in fact, this project is near completion.

Additionally, failure to make the payments on the contract will result in liability and exposure to the Successor Agency resulting from claims for damages, lost profits and other potential claims by the contractor.

The City does not have funds available to fund the balance of the contract. All previous guidance from the Department of Finance was that obligations related to third party agreements would be honored.

Because this transaction is contractually committed to a third party and bond funding is permitted by AB x1 26, it should be determined to be an enforceable obligation. Please see the attached back up documentation.

Page 6, Line Items 13, 16, 17 and Page 7, Line Items 34 and 36: Fire Station #1 (RPTTF and Bonds) (Folder 16)

This is a construction contract with Edge Development, entered into on April 6, 2011, prior to the effective date of AB 26 and the dissolution of the Agency, pursuant the approvals made on January 25, 2011 and March 1, 2011 by the Redevelopment Agency Board and City Council with the required resolution and findings approving Agency funds to be used on a City project. But for the Agency funding the City would not have had sufficient funding for the project and it would not have been built. This project was also crucial and planned for quite a number of years (see the backup documentation regarding the Olivewood properties) because the existing downtown fire station was outdated and did not meet the needs of the Fire Department.

The City would not have entered into this agreement with the contractor but for the Agency's commitment to pay for the construction. The contractor has also relied on the commitment of the Agency by entering into the contract with the City. Further, Health and Safety Code section 34177 (i) states that the successor agency is required to "Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties."

The project is partially funded with bond proceeds, as allowed by Health and Safety Code section 34177 (i) which states that "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." The bond indenture states that the bond funds may be expended

solely for purposes in accordance with the Redevelopment Plan. The Fire Station project was included in the Agency Redevelopment Plan as a planned project. Further, these bonds cannot be defeased until 2017.

In this case, contracts have been let, construction is underway and it would be contrary to the provisions of AB x1 26 to prohibit completion of the project and full funding with the bond proceeds and redevelopment funds as approved by the Successor Agency Board, the Oversight Board and the Department of Finance previous approval of the EOPS.

Additionally, failure to make the payments on the contract will result in liability and exposure to the Successor Agency resulting from claims for damages, lost profits and other claims by the contractor.

The City does not have funds available to fund the balance of the contract. All previous guidance from the Department of Finance was that obligations related to third party agreements would be honored. Further, this project, and the statement of intended bond funding, is also included with the Cooperation, Implementation and Funding Agreement dated March 8, 2011 between the Agency and the City which is an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(5).

Because this transaction is contractually committed to a third party and bond funding is permitted by AB x1 26, it should be determined to be an enforceable obligation. Please see the attached back up documentation.

Page 8, Line Items 3, 7 and 8: Municipal Auditorium (RPTTF and Bonds) (Folder 17)

This is a construction contract with Stronghold Engineering, Inc., entered into on May 16, 2011, after approval by the Redevelopment Agency Board of Directors and City Council on January 25, 2011 and March 1, 2011, with the required resolution and findings to use Agency funds. This was also prior to the dissolution of the Agency.

The City would not have entered into this agreement with the contractor but for the Agency's commitment to pay for the construction. The contractor has also relied on the commitment of the Agency by entering into the contract with the City. Further, Health and Safety Code section 34177 (i) states that the successor agency is required to "Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties."

The construction contract is partially funded with bond proceeds, as allowed by Health and Safety Code section 34177 (i) which states that "Bond proceeds shall be used for the purposes

for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds."

In this case, contracts have been let, construction is underway and it would be contrary to the provisions of AB x1 26 to prohibit completion of the project as approved by the Successor Agency Board, the Oversight Board and the Department of Finance previous approval of the EOPS. This project is very near completion.

Additionally, failure to make the payments on the contract will result in liability and exposure to the Successor Agency resulting from claims for damages, lost profits and other claims by the contractor.

The City does not have funds available to fund the balance of the contract. All previous guidance from the Department of Finance was that obligations related to third party agreements would be honored. Further, this project, and the statement of intended bond funding, is also included with the Cooperation, Implementation and Funding Agreement dated March 8, 2011 between the Agency and the City which is an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(5).

Because this transaction is contractually committed to a third party and bond funding is permitted by AB x1 26, it should be determined to be an enforceable obligation. Please see the attached back up documentation.

Line items 7 and 8 were paid in January 2012 as they were listed on the approved EOPS dated January 24, 2012, which was approved by DOF on January 30, 2012.

Page 9, Line Item 16: Doty Trust Park Construction (Bonds) (Folder 18)

This is a construction contract with CS Legacy, entered into on April 6, 2011 pursuant the approval from the Redevelopment Agency Board of Directors and City Council with the required resolution and findings approving Agency funds to be used on a City project.

The City would not have entered into this agreement with the contractor but for the Agency's commitment to pay for the construction. The contractor has also relied on the commitment of the Agency by entering into the contract with the City. Further, Health and Safety Code section 34177 (i) states that the successor agency is required to "Continue to oversee development of properties until the contracted work has been completed or the contractual obligations of the former redevelopment agency can be transferred to other parties."

The construction contract is funded with bond proceeds, as allowed by Health and Safety Code section 34177 (i) which states that "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." The Successor Agency and Oversight Board have both approved using the unencumbered bond proceeds for the purposes for which the bonds were sold; moreover these bonds cannot be defeased until 2017.

Additionally, the Agency is required to fund this project as set forth in the Judgment of Riverside County Superior Court Case No. RIC 417660 dated March 1, 2006 ("Judgment"). The Judgment requires the Agency to fund the construction of Golden Park. On October 24, 2006, the City Council renamed the yet to be constructed park from Golden Park to Doty-Trust Park, in honor of two fallen officers who died in the line of duty. As a result, this line item is a "judgment entered by a competent court of law against the former redevelopment agency" and is an enforceable obligation pursuant to Health and Safety Code section 34167 (d) (4). The amounts reflected in this specific line item on the ROPS were bond proceeds, a portion of which were expended prior to the dissolution of the Redevelopment Agency on February 1st, and a portion of which are still obligated for completion of the project. Failure to fund the balance of the project would be contrary to the Judgment.

Because this transaction is contractually committed to a third party, bond funding is permitted by AB x1 26 and due to the Judgment requiring the Agency to fund this construction, it should be determined to be an enforceable obligation. Please see the attached back up documentation.

Page 9, Line Item 36: Camp Anza Officers Club (Bonds) (Folder 19)

The Camp Anza Officers Club is a building that has historic significance locally as it was a Military Camp during World War II. On March 1, 2011, it was purchased by the Agency with the purpose of rehabilitation and re-use as a community services facility. This was approved by the Redevelopment Agency Board of Directors and City Council with the required resolutions and findings wherein they approved using Agency funds for the purchase.

Pursuant to Health and Safety Code section 34171(d)(1)(A) enforceable obligations include bonds and any debt and payment obligations required under the bond indentures. While this project has not awarded a construction contact, it was approved back in 2007. Further, it has always been intended to be funded with bond proceeds. This is evidenced by the attached documents including the Indenture of Trust between the Agency and U.S. Bank National Association dated April 1, 2007. Health and Safety Code section 34177(i) permits the successor agency to fund projects with bonds as it states "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the

proceeds may be used to defease the bonds." The bond indenture indicates that funds are to be expended in accordance with the Agency's Redevelopment Plan. The Agency's Redevelopment Plan advises that buildings of historical significance are to be considered for rehabilitation and conservation purposes, as well as public infrastructure and facilities to assist in the expansion of public health and social services (See La Sierra/Arlanza Redevelopment Plan dated November 6, 2006 pages 8, 13 and 29); the Implementation Plan similarly calls for this expansion (See La Sierra/Arlanza Implementation Plan dated January 28, 2005 page 21). Further, these bonds cannot be defeased until 2017.

Further, this project, and the statement of intended bond funding, is also listed in the Cooperation, Implementation and Funding Agreement dated March 8, 2011 between the Agency and the City which is an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(5).

Page 9, Line Item 37: Galleria Improvements (RPTTF) (Folder 20)

This is a long term financing agreement to secure Certificates of Participation between the Agency, Tyler Mall Limited Partnership, and the City entered into on January 4, 2005 in order to fund additional facilities including public improvements. This agreement obligated the Agency to pledge 100% of its tax increment to the Tyler Mall Limited Partnership until December 31, 2017. The City, Agency, and Tyler Mall Limited Partnership relied on the agreement as a long term source of revenue to service the debt and for Tyler Mall to construct the improvements. Failure to honor the commitment to provide the tax increment funding will negatively impact the third party beneficiary, Tyler Mall Limited Partnership.

Because this transaction is contractually committed to a third party, it should be determined to be an enforceable obligation. Please see the attached back up documentation.

Page 10, Line Item 1: Collett Street Expansion (Bonds) (Folder 21)

The project is intended to be funded with bond proceeds, as allowed by Health and Safety Code section 34177 (i) which states that "Bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." These bonds cannot be defeased until 2017.

This project, and the statement of intended bond funding, is also included with the Cooperation, Implementation and Funding Agreement dated March 8, 2011 between the Agency and the City which is an enforceable obligation pursuant to Health and Safety Code section 34167 (d)(5).

Conclusion:

This letter is being sent to clearly delineate the Successor Agency's position regarding the items set forth in your letter dated April 13, 2012. As we have set forth in detail in this letter and through the attached supporting documents, other than the two items first listed, these are all enforceable obligations and appropriate for the ROPS, including the source of funding listed in the ROPS. All of the information, responses and documentation being provided to the Department of Finance, and any additional information, responses and documentation are being provided as an accommodation. The City, acting as the Successor Agency, does not intend to waive any constitutional, statutory, legal, or equitable rights, and expressly reserves any and all rights, privileges, and defenses available under law and equity, including but not limited to causes of action under Article I, Section 10 of the United States Constitution and Article I, Section 9 of the California Constitution, for an unconstitutional impairment of contracts caused by any action of the Department or any other state agency that impairs the Successor Agency's ability to honor the covenants, terms and obligations in the enforceable obligations.

Thank you for your time and anticipated prompt attention in this matter.

Sincerely,

Scott C. Barber
City Manager

Attachments

cc: Pam Elias, Chief Accountant Property Tax Division, Riverside County Auditor-Controller
Jennifer Baechel, Business Process Analyst II, Riverside County Auditor-Controller
April Nash, Supervising Accountant, Riverside County Auditor-Controller
Gregory P. Priamos, City Attorney
Emilio Ramirez, Development Director