



Transmitted by e-mail

May 15, 2020

Kofi Antobam, Director of Administrative Services  
City of Rancho Mirage  
69825 Highway 111  
Rancho Mirage, CA 92270

### **2020-21 Annual Recognized Obligation Payment Schedule**

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 30, 2020. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Rancho Mirage Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2020 through June 30, 2021 (ROPS 20-21) to Finance on January 21, 2020. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 15, 2020.

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 determinations being disputed:

- Item Nos. 5 and 6 – Agency Repayment of Supplemental Educational Revenue Augmentation Fund (SERAF) Loans #1 and #2 were initially adjusted to decrease the interest owed on the outstanding balances, as the former Rancho Mirage Redevelopment Agency did not enter into loan agreements which defined interest terms. During the Meet and Confer, the Agency contended these loans should be eligible for interest.

Based on Finance's approval of the Agency's Oversight Board Resolution OB 2013-18, Finance concurs these loans are eligible to earn interest. Pursuant to HSC section 34191.4 (b) (3), any interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent, and repayments shall be applied first to principal, and second to interest. As a result, Finance makes the following determinations on the next page:

- Item No. 5 – SERAF-Loan #1 in the total outstanding amount of \$2,220,501. Finance partially approves this item. The total outstanding balance for this item includes miscalculated interest. Finance has recalculated the total outstanding loan balance to be \$1,705,676, and has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$514,825 (\$2,220,501 - \$1,705,676). As a result, the Agency's current ROPS request of \$2,220,501 has been reduced to \$1,705,676 to only allow the funds necessary to fulfill this obligation. Therefore, \$514,825 is not eligible for RPTTF.
- Item No. 6 – SERAF-Loan #2 in the total outstanding amount of \$2,087,469 and the requested amount of \$1,764,421. Finance no longer denies this item. Finance has recalculated the total outstanding loan balance to be \$2,025,632, and has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$61,837 (\$2,087,469 – \$2,025,632). Although the total outstanding balance for this item includes miscalculated interest, the amount of \$1,764,421 in RPTTF requested for the ROPS 20-21 period is approved, as the amount requested is lower than the outstanding balance.
- Item No. 76 – Maintenance Agreement with U.S. Postal Services-Parking Lot and Landscape in the total outstanding amount of \$250,000 is not allowed. Finance initially denied this item based on our understanding the agreement entered into on June 4, 2019 is between the City of Rancho Mirage and DesertArc; the former Redevelopment Agency (RDA) is not a party to the contract. Additionally, it is our understanding that the property subject to the landscaping services was not listed on the Agency's Long-Range Property Management Plan.

During the Meet and Confer, the Agency submitted an agreement titled Reciprocal Easements for Use of Parking Areas and Construction Agreement (Easement) dated November 6, 1992. The Easement is between the former RDA and the U.S. Postal Service and it obligates maintenance of the parking lot and landscaping in perpetuity. The Agency argues the obligation runs with the land and should continue to be enforced, as the obligation is not based on property ownership.

Finance disagrees with the Agency's interpretation. The requirement for the Agency to maintain the property and the landscaping is an affirmative covenant and this Easement is to carry over to the next owner who will be bound by same terms and conditions. As a result, Finance continues to deny this item.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2017 through June 30, 2018 (ROPS 17-18) period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$14,252,773, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 20-21. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 20-21 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 20-21 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Carla Villa, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER  
Program Budget Manager

cc: Joseph Carpenter, Finance Manager, City of Rancho Mirage  
Pam Elias, Chief Accountant Property Tax Division, Riverside County

<b>Approved RPTTF Distribution July 2020 through June 2021</b>			
	<b>ROPS A</b>	<b>ROPS B</b>	<b>ROPS 20-21 Total</b>
RPTTF Requested	\$ 9,233,939	\$ 5,239,016	\$ 14,472,955
Administrative RPTTF Requested	156,458	156,458	312,916
<b>Total RPTTF Requested</b>	<b>9,390,397</b>	<b>5,395,474</b>	<b>14,785,871</b>
<b>RPTTF Requested</b>	<b>9,233,939</b>	<b>5,239,016</b>	<b>14,472,955</b>
<u>Adjustment(s)</u>			
Item No. 5	(514,825)	0	(514,825)
Item No. 76	(10,000)	0	(10,000)
	(524,825)	0	(524,825)
<b>RPTTF Authorized</b>	<b>8,709,114</b>	<b>5,239,016</b>	<b>13,948,130</b>
<b>Administrative RPTTF Authorized</b>	<b>156,458</b>	<b>156,458</b>	<b>312,916</b>
ROPS 17-18 prior period adjustment (PPA)	(8,273)	0	(8,273)
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 8,857,299</b>	<b>\$ 5,395,474</b>	<b>\$ 14,252,773</b>