



May 17, 2013

Ms. Robbeyn Bird, Finance Director  
City of La Quinta  
P.O. Box 1504  
La Quinta, CA 92247-1504

Dear Ms. Bird:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 8, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Quinta Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 22, 2013 for the period of July through December 2013. Finance issued its determination related to those enforceable obligations on April 8, 2013. 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 23, 2013.

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 No. 21 – Water and Sewer Agreement for future development at SilverRock Resort in the amount of \$16,625,644 funded by bond proceeds. Finance is no longer denying the item. Upon review of the documentation provided by the Agency, the agreement and first amendment were both entered into between the Coachella Valley Water District and La Quinta Redevelopment Agency before June 27, 2011. Therefore, the item is an enforceable obligation. However, Exhibit A attachment to the Meet and Confer request form indicated the \$8 million requested for the six month period was inadvertently included on the ROPS form. Therefore, at the request of the Agency the six-month amount requested for this line item has been reduced to zero.

Further, the Agency also disputes Finance's determination regarding proceeds from bonds issued after December 31, 2010 that are not encumbered by an enforceable obligation pursuant to HSC 34171 (d) are required pursuant to HSC 34191.4 (c) (2) (B) to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation. The Agency contends the bond covenants and other bond documents require the 2011 bond proceeds to be used for affordable housing. Further the Agency contends, HSC section 34191.4 (c) (2) (A) requires that excess bond proceeds are to be expended in a manner consistent with the original bond covenants, and if they cannot be spent in manner consistent with bond covenants, only then, pursuant to HSC 34191.4 (c) (2) (B), are they to be used to defease the bonds or purchase the bonds. However, HSC section 34191.4 (c) (2) (A) references HSC section 34177.3, which states Successor Agencies shall lack the authority to,

and shall not, create new enforceable obligations or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011.

Additionally, although Finance did not object to the transfer of the encumbrance of the 2011 housing bond proceeds to the La Quinta Housing Successor Entity, as listed on Exhibit C of the Housing Assets Transfer form, the bond proceeds themselves were not transferable. Specifically, under no circumstance was cash transferred pursuant to any Successor Agencies Housing Asset Transfer form, as there was no exhibit included on the Housing Asset Transfer Form that allowed for the transfer of cash. This is due to the fact that Pursuant to HSC section 34176 (a) (1) "If a city...elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets...excluding any amounts on deposit in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency, shall be transferred to the city." Amounts on deposit in the LMIHF, including bond proceeds, were specifically excluded from the assets to be transferred to Successor Housing Entities. If any encumbrances listed on a Housing Asset Transfer Form are related to an enforceable obligation of a Successor Agency those obligations must be listed and approved on a ROPS form in order for the proceeds to be authorized for expenditure.

Therefore, the retention of these bond proceeds by the La Quinta Housing Successor Entity is not allowed and the proceeds are required to be returned to the Agency. To the extent the 2011 bond proceeds are encumbered by third party contracts entered into by June 27, 2011, the Agency should continue to report these obligations on future ROPS for Finance review and approval. Should this not be the case, HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$13,053,286 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 12,826,291
Minus: Six-month total for items denied or reclassified as administrative cost	
Total approved RPTTF for enforceable obligations	<u>\$ 12,826,291</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>384,789</u>
Minus: ROPS II prior period adjustment	<u>(157,794)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 13,053,286</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the

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county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/)

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Mr. Frank Spevacek, Executive Director, City of La Quinta  
Ms. Pam Elias, Chief Accountant Property Tax Division, County of Riverside  
California State Controller's Office