DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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October 31, 2013

Ms. Linda Kelly, Program & Financial Specialist
City of Desert Hot Springs
65950 Pierson Boulevard
Desert Hot Springs, CA 92240

Dear Ms. Kelly:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Desert Hot Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 26, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 13-14B at this time.

However, our review noted an error on the ROPS 13-14B form that required an adjustment:

- Item Nos. 21 and 22 - 2008 Series A-1 and 2006 Tax Allocation Bonds reserves in the amount of $737,000. Based on the information provided in Agency's October 10, 2013 e-mail, the reserve amount requested for the two items were switched in error. Therefore, amounts requested were adjusted to $419,000 and $318,000 for Item Nos. 21 and 22 respectively.

Finance also made the following adjustment to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance.

- Item No. 5 – 2008 Tax Allocation Bond Series A-1 in the amount of $372,484. Finance authorized $430,000 for debt service payment; however, the Agency listed the authorization as $372,484 of RPTTF. Finance adjusted the authorized amount to $430,000 which resulted in a prior period adjustment of $57,157 ($430,000 - $372,484).

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the 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.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,646,094 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		2,578,251
Total RPTTF requested for administrative obligations		125,000
Total Requested RPTTF	**$**	**2,703,251**
Total RPTTF approved for non-administrative obligations		2,578,251
Total RPTTF approved for administrative obligations		125,000
Total RPTTF approved for obligations	**$**	**2,703,251**
ROPS III prior period adjustment		(57,157)
Total RPTTF approved for distribution	**$**	**2,646,094**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Amy Aguer, Director of Administration and Finance, City of Desert Hot Springs
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office