



December 17, 2014

Ms. Rita Conrad, Finance Director
City of La Quinta
78-495 Calle Tampico
La Quinta, CA 92253

Dear Ms. Conrad:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 4, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of La Quinta Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 24, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 4, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items listed on the ROPS. The Meet and Confer session was held on November 13, 2014.

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 listed on the ROPS.

- Item No. 25 – Advances from City General Fund. The Agency requested that Finance increase the RPTTF requested for this item from \$602,644 to \$1,797,725. The request is approved. Support provided by the Agency shows that in calculating the maximum repayment amount for loans between the City and the former redevelopment agency pursuant to HSC 34191.4, the Agency applied incorrect periods and the corresponding amounts for those periods. Pursuant to HSC section 34191.4 (b)(2), the amount requested by the Agency during the meet and confer process is within the Agency's maximum repayment amount authorized for the current fiscal year and is less than the Agency's total outstanding loan balance. We note that Finance approved a loan repayment amount of \$690,238 during the July through December 2014 (ROPS 14-15A) period; however, the Agency did not receive the total Redevelopment Property Tax Trust Fund (RPTTF) distribution approved and is not likely to apply ROPS 14-15A RPTTF towards the outstanding loan balance. Based on these facts, Finance will increase the amount requested for Item 25 by \$1,195,081 (\$1,797,725 - \$602,644) on this ROPS provided that the actual amount paid towards the loan for the fiscal year (ROPS 14-15A and ROPS 14-15B) does not exceed \$1,797,725.

In addition, per Finance's letter dated November 4, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Based on information provided by the Agency, Finance made the following adjustments to the total Redevelopment Property Tax Trust Fund (RPTTF) and to the Bond Proceeds requested:

- The Agency requested that Finance decrease the total RPTTF requested for Item Nos. 7, 8, 23, and 24. The Agency failed to update the RPTTF request amounts for these items since ROPS 14-15A. Specifically, the Agency requested the following adjustments totaling \$7,600,526:
 - Item No. 7 – 2011 Tax Allocation Bonds in the amount of \$1,616,134 should be \$1,063,984. Therefore, the amount has been adjusted by \$552,150.
 - Item No. 8 – 2011 Tax Allocation Bonds in the amount of \$277,503 should be \$236,428. Therefore the amount has been adjusted by \$41,075.
 - Item No. 23 – Series A 2013 TARB in the amount of \$7,843,260 should be \$2,218,306. Therefore the amount has been adjusted by \$5,624,954.
 - Item No. 24 – Series B 2013 TARB in the amount of \$1,901,618 should be \$519,271. Therefore the amount has been adjusted by \$1,382,347.
- The Agency requested that Finance decrease the total Bond Proceeds requested for Item Nos. 12 and 28. The Agency incorrectly entered a request that would have covered a period of time greater than six months. Specifically, the Agency requested the following adjustments:
 - Item No. 12 – Construction of Washington Street Apartments, Site Improvements, & Rehabilitation Project in the amount of \$18,529,580 should be \$2,142,038. Therefore the amount has been adjusted by \$16,387,542.
 - Item No. 28 – SilverRock Infrastructure in the amount of \$6,398,000 should be \$602,000. Therefore, the amount has been adjusted by \$5,796,000.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$2,422,749.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Reserve Balances in the amounts specified below:

- Item No. 7 – 2011 Tax Allocation Bonds in the amount of \$1,063,984. Finance is reclassifying the full amount requested to Reserve Balances for the ROPS 14-15B.

- Item No. 8 – 2011 Tax Allocation Bonds in the amount of \$236,428. Finance is reclassifying the full amount requested to Reserve Balance for the ROPS 14-15B.
- Item No. 23 – Series 2013 TARB in the amount of \$2,218,306. Finance is reclassifying \$1,122,337 of the total requested amount to Reserve Balance and approving RPTTF for \$1,095,969, totaling \$2,218,306.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies 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.

Except for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,749,294 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	14,167,917
Total RPTTF requested for administrative obligations	425,038
Total RPTTF requested for obligations on ROPS	\$ 14,592,955
RPTTF adjustment to non-administrative obligations	
Item No. 7	(552,150)
Item No. 8	(41,075)
Item No. 23	(5,624,954)
Item No. 24	(1,382,347)
Item No. 25	1,195,081
Total RPTTF adjustments	\$ (6,405,445)
Total RPTTF for non-administrative obligations	7,762,472
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 7	(1,063,984)
Item No. 8	(236,428)
Item No. 23	(1,122,337)
	(2,422,749)
Total RPTTF authorized for non-administrative obligations	\$ 5,339,723
Total RPTTF authorized for administrative obligations	\$ 425,038
Total RPTTF authorized for obligations	\$ 5,764,761
ROPS 13-14B prior period adjustment	(3,015,467)
Total RPTTF approved for distribution	\$ 2,749,294

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies 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 section 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.

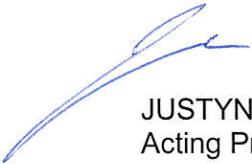
The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

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