



November 7, 2014

Mr. John Raymond, Director of Community and Economic Development
City of Palm Springs
3200 East Tahquitz Canyon Way
Palm Springs, CA 92262

Dear Mr. Raymond:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 25, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 6 and 17 – 2004 Convention Center Bonds in the amount of \$33,600,000 of Redevelopment Property Tax Trust Fund (RPTTF) is denied. Finance continues to deny this item. HSC 34178 (a) states that a successor agency or an oversight board shall not exercise the powers granted by this subdivision to restore funding for an enforceable obligation that was deleted or reduced by the Department of Finance pursuant to subdivision (h) of Section 34179 unless it reflects the decisions made during the meet and confer process with the Department of Finance or pursuant to a court order. These items were also denied during ROPS 14-15A Meet and Confer determination letter dated May 16, 2014. Therefore, the amounts requested are not eligible for RPTTF funding.
- Item No. 61 – Reimbursable Cost in the amount of \$7,359 of RPTTF is denied. The Agency is requesting funding for staff cost incurred due to preparation and completion of the refinancing of 2001 and 2004 Tax Allocation Bonds. To the extent the Agency can provide suitable documentation, such as timesheets and payroll records showing Agency staff time worked on the refinancing of the bonds to support the requested funding, the Agency may be able to obtain RPTTF funding. Otherwise, such costs should be part of issuance cost and included as part of the refunding bond proceeds use. Therefore, this item is not eligible for RPTTF funding at this time.
- Item No. 67 – Low and Moderate Income Housing (LMIHF) Due Diligence Review (DDR) overpayment in the amount of \$12,172 of Other Funds is denied. The Agency contends that it overpaid the LMIHF DDR remittance amount by \$12,172, and therefore should be allowed to retain that amount from other funds to reimburse the difference. Pursuant to

HSC 34171 (d) (1) overpaid amounts to the County Auditor-Controller (CAC) do not meet the definition of the enforceable obligation; therefore, this item is not eligible for funding. The Agency should work with CAC to resolve the issue.

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. Because the Agency's request to use Other Funds for Item No. 67 is denied, the Agency has \$12,172 of Other Funds available.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 12 – Owner Participation Agreement. The Agency requests \$200,000 of RPTTF; however, Finance is reclassifying \$12,172 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$12,172 in available Other Funds. Therefore, for Item No. 12, Finance is approving \$12,172 of Other Funds, and \$187,828 RPTTF for a total of \$200,000.

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 review of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,382,001 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	3,133,941
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 3,258,941
Total RPTTF requested for non-administrative obligations	3,133,941
<u>Denied Items</u>	
Item No. 6	(650,000)
Item No. 17	(150,000)
Item No. 61	(7,359)
	(807,359)
Total RPTTF for non-administrative obligations	2,326,582
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 12	(12,172)
Total RPTTF authorized for non-administrative obligations	\$ 2,314,410
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,439,410
ROPS 13-14B prior period adjustment	(57,409)
Total RPTTF approved for distribution	\$ 2,382,001

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

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

Absent a Meet and Confer, 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 Chikako Takagi-Galamba, Manager or Beliz Chappuie, Supervisor at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Geoffrey Klehl, Director of Finance, City of Palm Springs
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office