



May 15, 2015

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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2015. 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 15-16A) to Finance on February 25, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 6, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 16, 2015.

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.

- An item No. 9 – Graffiti Abatement Program fee in the amount of \$1,000 in Other Funds. Finance no longer denies this item. Finance initially denied this item because it was our understanding the agreement entered into on July 10, 2012, is between Graffiti Protective Coatings, Inc. and the City of Desert Hot Springs (City), and the former redevelopment agency is not a party to the contract. During the Meet and Confer process, the Agency contended that separate purchase orders are issued for the Agency whenever services are needed and provided the cost estimate for the ROPS 15-1A period as well as the types of properties the Agency currently owns where these services may be required. Therefore, the item is an enforceable obligation and is eligible for Other Funding.
- Item No. 10 – Valley Lock and Safe fee in the amount of \$500 in Other Funds. Finance no longer denies this item. Finance initially denied this item because no documentation was provided to support the amount claimed. During the Meet and Confer process, the Agency contended that separate purchase orders are issued for the Agency whenever services are needed and provided the cost estimate for the ROPS 15-1A period as well as the types of properties the Agency currently owns where these services may be required. Therefore, the item is an enforceable obligation and is eligible for Other Funding.

- Item No. 11 – Successor Agency Property Maintenance fees in the amount of \$100,000 in Other Funds. Finance no longer denies this item. Finance initially denied this item because the invoices provided were billed to the City and not the Agency. During the Meet and Confer process, the Agency contended that the invoices may be addressed to the City, but the services are identified as being provided to the Agency. Additionally, the Agency provided the cost estimate for the ROPS 15-1A period as well as the types of properties the Agency currently owns where the various services may be required. Therefore, the item is an enforceable obligation and is eligible for Other Funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 Redevelopment Property Tax Trust Fund (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 the items denied in whole, Finance is not objecting to the remaining items listed on your ROPS 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,682,492 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	2,684,497
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 2,809,497</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>2,684,497</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,684,497</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,809,497</b>
ROPS 14-15A prior period adjustment	(127,005)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,682,492</b>

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. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except the excess cash balance of \$140,576. Finance will continue to work with the Agency after the ROPS 15-16A review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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 Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Martin Magana, City Manager, City of Desert Hot Springs  
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County  
California State Controller's Office