



May 15, 2015

Ms. Veronica Tapia, Management Analyst II
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260

Dear Ms. Tapia:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Desert Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on February 27, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 15, 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 28, 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.

- Item Nos. 31, 85, 118, 159 – Unfunded pension liabilities totaling \$336,122. Finance no longer denies these items. The Agency provided the CalPERS analysis for the remaining unfunded liabilities as of June 2010, which showed the outstanding balance of \$3,361,206, with the ending date of June 2015. However, the Agency only began making payments of \$336,122 on these items in the ROPS 13-14B period. Therefore, balances remain on these items and they are eligible for funding.
- Item No. 190 – Costs Associated with Disposition of Assets in the amount of \$250,000 of Other Funds. Finance no longer denies a portion of this item. It is our understanding an Agreement Regarding 170-Acre Site Consultant Work and Cost (Agreement) between the Agency and City of Palm Desert states that Consultant work will not exceed an amount of \$310,000. While this agreement is an enforceable obligation, the Agency received \$100,000 for this obligation for the period of January through June 30, 2015, (ROPS 14-15) leaving an outstanding amount of \$210,000. As such, Finance initially approved the item in the amount of \$210,000 and disallowed \$40,000.

During the Meet and Confer process, the Agency contended that approximately \$15,000 has been expended of the \$100,000 that was approved from the ROPS 14-15 period.

As such, the \$250,000 being requested is still within with the agreement limit. Therefore, Finance approves this item for \$250,000 to be funded from Other Funds.

- During our review, which may have included obtaining financial records, Finance initially determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (I) (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 Other Balances totaling \$395,790. During the Meet and Confer process, the Agency contended that the Other Balances are restricted and cannot be used to pay for other items. Finance will continue to work with the Agency to verify that these amounts are restricted and not available for other items. Therefore, the funding source for Item No. 1 is no longer reclassified to Other Funds at this time.

In addition, per Finance's letter dated April 15, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Review of ROPS 15-16A included the following OB Resolutions:

- OB Resolution No. 113, receiving and filing the Executive Director's executed contracts for January and February 2015, for routine and emergency maintenance services for obligations listed on the ROPS 14-15B, is approved.
- OB Resolution No. 115, approving the execution of a consolidated non-housing bond proceeds funding agreement between the Agency and the City of Palm Desert, is approved. The agreement transfers ROPS Item Nos. 14, 26, 36 through 38, 45 through 50, 82, 94 through 96, 102 through 104, 135, 137 through 139, 157, 168, 170, 173, 180 through 186, and 191 listed on the ROPS 15-16A and the related costs to the City of Palm Desert (City). Pursuant to HSC section 34191.4 (c), the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 after receipt of a Finding of Completion. The Agency received its Finding of Completion on May 15, 2014. The Agency previously transferred a portion of the unspent non-housing bond proceeds with prior agreements and wishes to transfer the remaining bond proceeds for the above listed project costs to the City. The Agency should update the bond proceeds funding agreement to include the total amount of remaining bond proceeds to be transferred to the City. Although the agreement is approved, Finance notes, it is the responsibility of the Oversight Board to ensure bond proceeds are spent in accordance with the bond indenture.
- OB Resolution No. 116 approving the execution of a housing bond proceeds funding agreement between the Agency and the Housing Authority, is approved. Finance approves the transfer of \$21,883,310 of housing bond proceeds to the Housing Authority. However, in the bond proceeds funding agreement, the Agency should list the specific ROPS Items and project names to be funded with this amount. Pursuant to HSC section 34191.4 (c), the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 after receipt of a Finding of Completion. Although the agreement is approved, Finance notes, it is the responsibility of the Oversight Board to ensure bond proceeds are spent in accordance with the bond indenture.

- OB Resolution No. 119 approving the execution of an agreement regarding the 170-acre site consultant work and costs not to exceed \$310,000 between the Agency and the City, is approved. The resolution pertains to Item No. 190 on the ROPS 15-16A.

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 RPTTF 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 or in part, 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 \$18,998,345 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	18,878,716
Total RPTTF requested for administrative obligations	566,361
Total RPTTF requested for obligations on ROPS	\$ 19,445,077
Total RPTTF requested for non-administrative obligations	18,878,716
Total RPTTF authorized for non-administrative obligations	\$ 18,878,716
Total RPTTF requested for administrative obligations	566,361
Total RPTTF authorized for administrative obligations	\$ 566,361
Total RPTTF authorized for obligations	\$ 19,445,077
ROPS 14-15A prior period adjustment	(446,732)
Total RPTTF approved for distribution	\$ 18,998,345

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: Ms. Janet Moore, Director of Housing, City of Palm Desert
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office