



REVISED

April 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 15-16A) determination letter dated April 10, 2015. A revision is necessary to correct a clerical error related to the approved distribution table. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Desert Successor Agency (Agency) submitted a ROPS 15-16A to Finance on February 27, 2015 for the period of July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 31, 85, 118, 159 – Unfunded pension liabilities totaling \$336,122 is not allowed. 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. It is our understanding the Agency funded \$1,344,480 prior to the ROPS I (January through June 2012 ROPS) period. During the ROPS I through ROPS 14-15B periods, we have authorized a total amount of \$2,082,624. Therefore, these items have been fully funded. As such, the following line items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding:
 - Item No. 31 in the amount of \$213,425.
 - Item No. 85 in the amount of \$57,105.
 - Item No. 118 in the amount of \$15,519.
 - Item No. 159 in the amount of \$50,073.

To the extent the Agency can demonstrate, there are still unfunded liabilities, the Agency may be able to obtain funding on future ROPS.

- Item No. 190 – Costs Associated with Disposition of Assets in the amount of \$250,000 of Other Funds is partially allowed. 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 leaving an outstanding amount of \$210,000. Therefore, the item is approved as enforceable obligation in the amount of \$210,000 and disallowed in the amount of \$40,000.

- Claimed administrative costs exceed the allowance by \$21,958. HSC section 34171 (b) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$566,362 is claimed for administrative cost, only \$544,404 is available pursuant to the cap. Therefore, \$21,958 of excess administrative cost is not allowed.

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 Other Balances totaling \$395,790.

Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 1 – 2002 Tax Allocation Refunding Bond in the amount of \$557,333. The Agency requests \$557,333 of RPTTF; however, Finance is reclassifying \$395,790 to Other Balances. This item is an enforceable obligation for the ROPS 14-15B period. Therefore, Finance is approving RPTTF in the amount of \$161,543 and the use of Other Balances in the amount of \$395,790, totaling \$557,333.

Review of ROPS 15-16A included the following Oversight Board (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. However, going forward, the Agency should submit all contracts/agreements for any services for review to the OB prior to execution. The OB actions authorizing the contracts will subsequently be reviewed by Finance.
- 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. 46, 47, 48, 49, 50, 103, 104, 137, 138, 180, 181, 182, 183, 184, 185, 186 and 188 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 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. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$18,244,476 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	566,362
Total RPTTF requested for obligations on ROPS	\$ 19,445,078
Total RPTTF requested for non-administrative obligations	18,878,716
<u>Denied Items</u>	
Item No. 31	(213,425)
Item No. 85	(57,105)
Item No. 118	(15,519)
Item No. 159	(50,073)
	(336,122)
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 1	(395,790)
	(395,790)
Total RPTTF authorized for non-administrative obligations	\$ 18,146,804
Total RPTTF requested for administrative obligations	566,362
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(21,958)
Total RPTTF authorized for administrative obligations	\$ 544,404
Total RPTTF authorized for obligations	\$ 18,691,208
ROPS 14-15A prior period adjustment	(446,732)
Total RPTTF approved for distribution	\$ 18,244,476

Administrative Cost Cap Calculation	
Total RPTTF for non-administrative obligations	18,146,804
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	544,404
Total RPTTF administrative obligations after Finance adjustments	566,362
Administrative costs in excess of the cap	\$ (21,958)

Please refer to the ROPS 15-16A 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 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 (j). 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 Beliz Chappuie, Supervisor or Satveer Ark, Lead Analyst at (916) 445-1546.

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