DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 13, 2015

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 15-16A) to the California Department of Finance (Finance) on March 3, 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. 6 and 17 – 2004 Convention Center Bonds in the amount of $33,600,000 of Redevelopment Property Tax Trust Fund (RPTTF) is not allowed. Finance continues to deny this item. Finance denied these items as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the former redevelopment agency (RDA) and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or are entered into at the time of issuance of indebtedness obligations. Further, HSC section 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 Finance pursuant to HSC section 34179 (h) unless it reflects the decisions made during the Meet and Confer process or pursuant to a court order. Finance's Meet and Confer determination letter dated May 6, 2014 continued to deny this item. Therefore, the amounts requested are not eligible for RPTTF funding.

- Item No. 69 – Capital Projects in the amount of $1,039,996 of bond proceeds is not allowed. The Agency received a Finding of Completion on January 2, 2014 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the bond covenant. It is our understanding that the Agency intends to transfer the 2007 bond proceeds to the City of Palm Springs (City) during the period of January through June 30, 2016 (ROPS 15-16B) with a bond expenditure agreement. However, the Agency has not entered into an agreement to transfer the bond proceeds to the City and the Agency's Oversight Board has not approved the

agreement yet. Therefore, the item is not an enforceable obligation and not eligible for bond proceeds funding at this time.

Review of ROPS 15-16A included Agency's OB Resolution No. 031. The OB Resolution No, 031 approving an amendment to the ROPS 14-15A funding, is approved. Finance approves the expenditure of $95 of Other Funds for Item Nos. 48 and 49 for the ROPS 14-15A period.

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 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 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $836,196 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		1,647,095
Total RPTTF requested for administrative obligations		19,442
Total RPTTF requested for obligations on ROPS	**$**	**1,666,537**
Total RPTTF requested for non-administrative obligations		**1,647,095**
Denied Items		
Item No. 6		(650,000)
Item No. 17		(150,000)
		(800,000)
Total RPTTF authorized for non-administrative obligations	**$**	**847,095**
Total RPTTF requested for administrative obligations		**19,442**
Total RPTTF authorized for administrative obligations	**$**	**19,442**
Total RPTTF authorized for obligations	**$**	**866,537**
ROPS 14-15A prior period adjustment		(30,341)
Total RPTTF approved for distribution	**$**	**836,196**

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 (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 Beliz Chappuie, Supervisor or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
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