DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 2015

Mr. Mariano Aguirre, Director
City of Indio
100 Civic Center Mall
Indio, CA 92201

Dear Mr. Aguirre:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 9, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Indio Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 2, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 9, 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 November 19, 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 No. 8 and 30 – Legal Services Agreement and Auditing Services in the total amount of $180,000. Finance continues to reclassify these items as administrative cost. During the Meet and Confer, disputed Finance's determination and contended the costs should be eligible for Redevelopment Property Tax Trust Fund (RPTTF) outside of the administrative cost allowance. However, the Agency did not provide any additional documentation to support that these services are required by an enforceable obligation. Subsequently, the Agency conceded that these items are administrative in nature and concurred with Finance's reclassification to the administrative cost allowance. As such, Finance continues to reclassify these items to the administrative cost allowance.

- Item No. 23 – Utility Company Service Charges, Park Assessments, in the amount of $3,000 requested for ROPS 15-16B and total outstanding balance of $18,000. Finance no longer denies this Item. During the Meet and Confer, the Agency provided documentation to support the amount requested is needed to pay Special Park Assessment fees for properties owned by the Agency. Therefore, the Agency is eligible to receive RPTTF for these costs on this ROPS.

- Item No. 31 – Gas Utility Charge in the amount of $2,000 requested for ROPS 15-16B and total outstanding balance of $6,000. With the Agency's concurrence, Finance continues to deny this item. It is expected that this item will be retired on future ROPS.

- Item No. 32 – Bond Administration and Compliance Monitoring Fee in the amount of $3,000 requested for ROPS 15-16B and total outstanding balance of $18,000. With the Agency's concurrence, Finance continues to deny this item. It is expected that this item will be retired on future ROPS.

- Item No. 41 – Housing Entity Administrative Cost in the amount of $75,000 requested for ROPS 15-16B and total outstanding balance of $750,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Indio (City) is the City-formed Housing Authority (Authority), the Authority operates under the control of the City and is considered the City under Dissolution Law (ABx1 26 and AB 1484).

  The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

  Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for $75,000 of housing successor administrative allowance requested for ROPS 15-16B.

- Claimed administrative costs exceed the allowance by $30,000. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of distributed RPTTF in the preceding fiscal year or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 in administrative expenses. The Riverside County Auditor-Controller distributed $125,000, thus leaving a balance of $125,000 available for the January through June 2016 period. Although $125,000 is claimed for administrative cost, Item Nos. 8 and 30 for legal and audit services in the amount of $20,000 and $10,000 respectively are considered administrative expenses and should be counted

toward the cap. Therefore, $30,000 of excess administrative cost allowance is not allowed.

In addition, per Finance's letter dated November 9, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 15-16B. The Agency's maximum approved RPTTF distribution for the reporting period is $3,153,438 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		3,138,438
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**3,263,438**
Total RPTTF requested for non-administrative obligations		**3,138,438**
Denied Items		
Item No. 31		(2,000)
Item No. 32		(3,000)
Item No. 41		(75,000)
		(80,000)
Reclassified Items		
Item No. 8		(20,000)
Item No. 30		(10,000)
		(30,000)
Total RPTTF authorized for non-administrative obligations	**$**	**3,028,438**
Total RPTTF requested for administrative obligations		**125,000**
Reclassified Items		
Item No. 8		20,000
Item No. 30		10,000
		30,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(30,000)
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**3,153,438**
ROPS 14-15B prior period adjustment		0
Total RPTTF approved for distribution	**$**	**3,153,438**

Administrative Cost Cap Calculation		
Total RPTTF for 15-16A (July through December 2015)		3,411,766
Total RPTTF for 15-16B (January through June 2016)		3,028,438
Total RPTTF for fiscal year 2015-2016		**6,440,204**
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or $250,000)		250,000
Administrative allowance for ROPS 15-16A (July through December 2015)		(125,000)
Remaining administrative cost cap for ROPS 15-16B		**125,000**
ROPS 15-16B administrative obligations after Finance adjustments		(155,000)
Administrative costs in excess of the cap	**$**	**(30,000)**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Dan Martinez, City Manager, City of Indio
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County