

November 2, 2015

Mr. Isaiah Hagerman, Finance Director
City of Rancho Mirage
69825 Highway 111
Rancho Mirage, CA 92270

Dear Mr. Hagerman:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Rancho Mirage Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 23, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 8 – Claimed administrative costs exceed the allowance by \$3,750. 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. The Riverside County Auditor-Controller's Office distributed \$250,000 for the July through December 2015 period, thus leaving a balance of \$182,080 available for the January through June 2015 period. Although \$185,830 is claimed for administrative cost, only \$182,080 is available pursuant to the cap. Therefore, \$3,750 of excess administrative cost is not allowed.
- Item No. 75 – Cost of Issuance for 2016 Bond Refunding Plan in the amount of \$125,000 is reclassified to Other Funds. Generally, costs related to the issuance of refunding bonds are funded by the bond proceeds. Review of Oversight Board Resolutions Nos. 2015-OB-09 and 2015-OB-10 for the issuance of the 2016 Refunding Bonds notes the Agency is able to recover costs from the proceeds of the Refunding Bonds. Furthermore, review of the financial report prepared by Curt de Crinis shows the Agency allocated \$250,000 of bond proceeds to fund the issuance costs. Therefore, Finance is reclassifying the requested \$125,000 from Redevelopment Property Tax Trust Fund (RPTTF) to Other Funds funding.

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 or the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$5,850,644 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	5,808,564
Total RPTTF requested for administrative obligations	185,830
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,994,394
Total RPTTF requested for non-administrative obligations	5,808,564
<u>Reclassified Item</u>	
Item No. 75	(125,000)
	(125,000)
Total RPTTF authorized for non-administrative obligations	\$ 5,683,564
Total RPTTF requested for administrative obligations	185,830
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(3,750)
Total RPTTF authorized for administrative obligations	\$ 182,080
Total RPTTF authorized for obligations	\$ 5,865,644
ROPS 14-15B prior period adjustment	(15,000)
Total RPTTF approved for distribution	\$ 5,850,644

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	8,719,112
Total RPTTF for 15-16B (January through June 2016)	5,683,564
Total RPTTF for fiscal year 2015-2016	14,402,676
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	432,080
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
Remaining administrative cost cap for ROPS 15-16B	182,080
ROPS 15-16B administrative obligations after Finance adjustments	(185,830)
Administrative costs in excess of the cap	\$ (3,750)

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>

Absent a Meet and Confer, 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 Cindie Lor, Supervisor, or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Jesse Eckenroth, Accounting Supervisor, City of Rancho Mirage
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County