DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 4, 2016

Ms. Tami Scott, Administrative Services Director
Cathedral City
68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234

Dear Ms. Scott:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Cathedral City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

Based on our review, Finance is approving all of the items listed on the ROPS 16-17 at this time. Additionally, Finance notes the following:

- Item No. 55 – ERICA in the amount of $247,941 in Bond Proceeds. The Agency received a Finding of Completion on May 7, 2013 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. According to the Agency, the use of bond proceeds to reimburse the Cathedral City (City) for payments made on an equipment lease agreement between the City and a third party are consistent with bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the Obligation Type from "Third-party Loans" to "Bond Funded Project – Pre-2011". Such approval, however, should not be construed as approval of the agreement itself as an enforceable obligation.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to Redevelopment Property Tax Trust Fund (RPTTF) for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

    - Item No. 4 – 2004 Tax Allocation Bond Series B in the amount of $399,542 for the July 1, 2016 through December 31, 2016 (ROPS A period). The Agency requests $204,268 of Reserve Balance and $195,274 of RPTTF for ROPS A period; however, Finance is reclassifying $7,682 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However,

the obligation does not require payment from property tax revenues and the Agency has $7,682 in Other Funds available. As a result, Finance is reclassifying $7,682 to Other Funds and approving RPTTF in the amount of $187,592 and Reserve Balance of $204,268 for the ROPS A period.

Except for the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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 $15,497,823 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 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 determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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,

for

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Kevin Biersack, Accounting Services Manager, Cathedral City
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 8,578,478	$ 6,521,565	$ 15,100,043
Requested Administrative RPTTF	202,731	202,731	405,462
Total RPTTF requested for obligations on ROPS 16-17	**8,781,209**	**6,724,296**	**$ 15,505,505**
Total RPTTF requested	**8,578,478**	**6,521,565**	**15,100,043**
Reclassified Item			
Item No. 4	(7,682)	0	(7,682)
Total RPTTF authorized	**8,570,796**	**6,521,565**	**$ 15,092,361**
Total Administrative RPTTF authorized	**202,731**	**202,731**	**$ 405,462**
Total RPTTF approved for distribution	**8,773,527**	**6,724,296**	**$ 15,497,823**