DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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April 12, 2016

Mr. James Thompson, City Clerk
City of Palm Springs
3200 East Tahquitz Canyon Way
Palm Springs, CA 92262

Dear Mr. Thompson:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Palm Springs 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 30, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item Nos. 70 and 71 – Long-Range Property Management Plan (LRPMP) property maintenance costs totaling $22,500 is partially allowed. It is our understanding the Agency would like to reduce the requested funding for these items. Therefore, for Item No. 70, the total requested amount of $7,500 is reduced to $6,120, and $1,380 in Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed for the January 1, 2017 through June 30, 2017 period (ROPS B period). For Item No. 71, the total requested amount of $15,000 is reduced to $11,800, and $3,200 in RPTTF funding is not allowed for the June 1, 2016 through December 31, 2016 period (ROPS A period).

- Item No. 72 – Advance to the City of Palm Springs for Cork and Bottle building electrical rewiring in the amount of $10,000 is not allowed. Pursuant to HSC Section 34177.3 (b), except as required by an enforceable obligation, the work of winding down the redevelopment agency does not include planning, design, redesign, development, demolition, alteration, construction, construction financing, site remediation, site development or improvement, land clearance, seismic retrofits, and other similar work. The Agency contends electrical repair work is required; however, the property was approved for sale on the Agency's LRPMP, which was approved March 25, 2014. The electrical work is considered site improvement costs and do not qualify as eligible property disposition or maintenance costs. Therefore, this item is not an enforceable obligation and the requested $10,000 is not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $19,000. Pursuant to HSC section 34171 (b) (3), the Administrative Cost Allowance (ACA) shall be up to three percent of the actual distributed RPTTF in the preceding fiscal year, or $250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. The Riverside County Auditor-Controller distributed $3,176,153 RPTTF in the 2015-16 fiscal year. As a result, $250,000 is available for the ACA pursuant to the cap. The Agency claimed administrative cost totaling $269,000 ($19,000 from Other Funds and $250,000 from Administrative RPTTF). Therefore, $19,000 of excess administrative cost is not allowed in the ROPS B period.

Except for the items denied in whole or in part, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $5,482,953 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 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,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Geoffrey Kiehl, Director of Finance, City of Palm Springs
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)	$ 2,921,459	$ 2,345,074	$ 5,266,533
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	3,046,459	2,470,074	**$ 5,516,533**
Total RPTTF requested	2,921,459	2,345,074	**5,266,533**
Denied Items			
Item No. 70	0	(1,380)	(1,380)
Item No. 71	(3,200)	0	(3,200)
Item No. 72	(10,000)	0	(10,000)
	(13,200)	(1,380)	(14,580)
Total RPTTF authorized	2,908,259	2,343,694	**$ 5,251,953**
Total Administrative RPTTF requested	125,000	125,000	**250,000**
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(19,000)	(19,000)
Total Administrative RPTTF authorized	125,000	106,000	**$ 231,000**
Total RPTTF approved for distribution	3,033,259	2,449,694	**$ 5,482,953**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 3,176,153
Less sponsoring entity loan and Administrative RPTTF	144,442
Actual RPTTF distributed for 2015-16 after adjustment	3,031,711
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	269,000
Administrative Cost Allowance in excess of the cap	**$ (19,000)**