



March 14, 2016

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

Dear Mr. Hagerman:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Rancho Mirage 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 26, 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. 3 and 24 – Tax allocation bond payments of \$2,165,000 and \$697,500, respectively. The Agency incorrectly reported their use of Redevelopment Property Tax Trust Fund (RPTTF) authorized during the July 1 through December 31, 2016 period (ROPS A period) as Other Funds funding during the January 1 through June 30, 2017 period (ROPS B period). Finance reclassified the requested \$2,165,000 and \$697,500 in Other Funds to Reserve Balance funding for the ROPS B period.
- Item No. 8 – Claimed administrative costs exceed the allowance by \$9,100. HSC section 34171 (b) (2) limits the fiscal year 2016-17 administrative expenses to three percent of the RPTTF allocated or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency is eligible for \$339,634 in ACA for the fiscal year 2016-17. Although \$348,734 is claimed for administrative cost, only \$339,634 is available pursuant to the cap. Therefore, \$9,100 of excess administrative cost is not allowed.
- Item Nos. 30, 31, 45, 48, 50, 51, 57, 58, 62 to 66, and 68 to 71 – Projects funded with \$7,780,000 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. Additionally, the Oversight Board previously approved OB Resolution Nos. 2013-20 and 2013-21 approving Bond Expenditure and Reimbursement Agreements for the use of housing 2003, and non-housing 2003 A-T (Northside), 2008 A (Northside), and 2003 A-T (Whitewater) excess bond proceeds on September 24, 2013. 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 Types reported for the items to "Bond Funded Project – Pre-2011" or "Bond Funded Project – Housing", as necessary. Such approval, however, should not be construed as approval of the applicable projects themselves as an enforceable obligation.

Except for the item that has been denied 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. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to 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, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 1 – Tax Allocation Bond Servicing in the amount of \$25,000 for the ROPS A period. The Agency requests \$25,000 of RPTTF; however, Finance is reclassifying \$4,758 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 \$4,758 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$20,242 and the use of Other Funds in the amount of \$4,758, totaling \$25,000 for the ROPS A period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,709,329 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. As 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. Jesse Eckenroth, Accounting Supervisor, City of Rancho Mirage
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)	\$ 6,139,869	\$ 5,234,584	\$ 11,374,453
Requested Administrative RPTTF	250,000	98,734	348,734
Total RPTTF requested for obligations on ROPS	6,389,869	5,333,318	\$ 11,723,187
Total RPTTF requested	6,139,869	5,234,584	11,374,453
<u>Reclassified Item</u>			
Item No. 1	(4,758)	0	(4,758)
	(4,758)	0	(4,758)
Total RPTTF authorized	6,135,111	5,234,584	\$ 11,369,695
Total Administrative RPTTF requested	250,000	98,734	348,734
Administrative costs in excess of the cap			
(see Administrative Cost Allowance Cap table below)	0	(9,100)	(9,100)
Total Administrative RPTTF authorized	250,000	89,634	\$ 339,634
Total RPTTF approved for distribution	6,385,111	5,324,218	\$ 11,709,329

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 14,804,756
Less sponsoring entity loan and Administrative RPTTF	3,483,628
Actual RPTTF distributed for 2015-16 after adjustment	11,321,128
Administrative Cap for 2016-17 per HSC section 34171 (b)	339,634
ROPS 16-17 Administrative RPTTF after Finance adjustments	348,734
Administrative Cost Allowance in excess of the cap	\$ (9,100)