DEPARTMENT OF FINANCE

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May 17, 2016

Ms. Linda Kelly, Program & Financial Specialist
City of Desert Hot Springs
65950 Pierson Boulevard
Desert Hot Springs, CA 92240

Dear Ms. Kelly:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 31, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Desert Hot Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 27, 2016. Finance issued a ROPS determination letter on March 31, 2016. 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 April 12, 2016.

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. 2 – 2008 Series A-1 Tax Allocation Bond in the total requested amount of $2,191,300. Finance no longer partially reclassifies the amount of $637,500 to Reserve Balance. During the Meet and Confer process, the Agency submitted documentation to support that the amount of $637,500 in Redevelopment Property Tax Trust Fund (RPTTF) funds had already been advanced towards the payment of bond debt which was authorized by Finance during the January 1, 2016 through June 30, 2016 (ROPS 15-16B) period as reserves for future bond payment. The Agency clarified that it had expended the reserve amount for its intended purpose, but it was not reflected in the ROPS. Moreover, it was the Agency's intent to request additional reserves in the same amount for a future bond payment. As such, the total amount of $2,191,300 in RPTTF as well as the use of $637,500 in Reserve Balance is approved.

- Item No. 4 – 2006 Tax Allocation Bond in the total requested amount of $706,056. Finance no longer partially reclassifies the amount of $300,000 to Reserve Balance. During the Meet and Confer process, the Agency submitted documentation to support that the amount of $300,000 in RPTTF had already been advanced towards the payment of bond debt which was authorized by Finance during the ROPS 15-16B period as reserves for future bond payment. The Agency clarified that it had expended the reserve amount for its intended purpose, but it was not reflected in the ROPS. Moreover, it was the Agency's intent to request additional reserves in the same amount for a future bond

payment. As such, the total amount of $706,056 in RPTTF as well as the use of $300,000 in Reserve Balance is approved.

- Item No. 6 – 2009 Tax Allocation Bond in the total requested amount of $474,540. Finance no longer partially reclassifies the amount of $60,000 to Reserve Balance. During the Meet and Confer process, the Agency submitted documentation to support that the amount of $60,000 in RPTTF had already been advanced towards the payment of bond debt which was authorized by Finance during the ROPS 15-16B period as reserves for future bond payment. The Agency clarified that it had expended the reserve amount for its intended purpose, but it was not reflected in the ROPS. Moreover, it was the Agency's intent to request additional reserves in the same amount for a future bond payment. As such, the total amount of $474,540 in RPTTF as well as the use of $60,000 in Reserve Balance is approved.

- Item No. 20 – ROPS 13-14A shortfall in the total requested amount of $682,730. Finance continues to partially approve this item. It is our understanding this amount includes duplicate requests in the amount of $341,365 in each six-month period, totaling $682,730. Per Agency correspondence, the duplicate request was intentional in anticipation of a shortfall in ROPS A period. During the Meet and Confer process, the Agency contended that it is necessary that the full amounts of the shortfalls appear on each A and B ROPS cycle. Agencies may request funding for insufficient RPTTF to the extent of the actual shortfall amount. To eliminate duplicate funding authorization, Finance is reducing request by $341,365. As such, $341,365 in RPTTF ($682,730 - $341,365) is approved for the ROPS A period and $341,365 is denied for the January 1, 2017 through June 30, 2017 (ROPS B period); however, this does not limit the Agency's ability to receive these funds specific to the A period. Finance's determination is for the entire ROPS 16-17 period; the County Auditor-Controller (CAC) is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

- Item No. 32 – ROPS 14-15B shortfall in the total requested amount of $695,386. Finance continues to partially approve this item. It is our understanding this amount includes duplicate requests in the amount of $347,693 in each six-month period, totaling $695,386. Per Agency correspondence, the duplicate request was intentional in anticipation of a shortfall in ROPS A period. During the Meet and Confer process, the Agency contended that it is necessary that the full amounts of the shortfalls appear on each A and B ROPS cycle. Agencies may request funding for insufficient RPTTF to the extent of the actual shortfall amount. To eliminate duplicate funding authorization, Finance is reducing the shortfall request by $347,693. As such, $347,693 in RPTTF ($695,386 - $347,693) is approved for the ROPS A period and $347,693 is denied for ROPS B period; however, this does not limit the Agency's ability to receive these funds specific to the A period. Finance's determination is for the entire ROPS 16-17 period; the CAC is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

- Item No. 36 – Implementation costs requested in the amount of $100,000 related to property disposition. Finance no longer denies this item. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on May 15, 2015, which approved several properties to transfer to the City of Desert Hot Springs (City) for future development. The future development properties within the LRPMP continue to be the

responsibility of the Agency as the LRPMP specifically stipulates that transfer of the property to the City will occur if the Compensation Agreement is approved. Therefore, the $100,000 requested for ROPS 16-17 is eligible for RPTTF funding.

- Item No. 37 – ROPS 15-16B shortfall in the total requested amount of $219,582. Finance continues to partially approve this item. For the ROPS 15-16B period, Finance authorized an RPTTF distribution of $3,147,908. The CAC distributed $2,349,062, resulting in a $798,846 shortfall amount. The Agency's shortfall amount is reduced by the shortfalls requested under Item Nos. 20 and 32, and is requesting the net shortfall amount of $109,791 in both ROPS A and B period. During the Meet and Confer process, the Agency contended that it is necessary that the full amounts of the shortfalls appear on each A and B ROPS cycle. To eliminate duplicate funding authorization, Finance is approving $109,791 in the ROPS A period and $109,791 is denied for the ROPS B period; however, this does not limit the Agency's ability to receive these funds specific to the A period. Finance's determination is for the entire ROPS 16-17 period; the CAC is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items denied in whole or in part, or reclassified, Finance is not objecting to the remaining items listed on your ROPS 16-17.

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 $5,394,519 as summarized in the Approved RPTTF Distribution Table on Page 5 (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. 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

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 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 Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Martin Magana, City Manager, City of Desert Hot 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)	$ 2,975,684	$ 2,967,684	$ 5,943,368
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	**3,100,684**	**3,092,684**	**$ 6,193,368**
Total RPTTF requested	**2,975,684**	**2,967,684**	**5,943,368**
Denied Items			
Item No. 20	0	(341,365)	(341,365)
Item No. 32	0	(347,693)	(347,693)
Item No. 37	0	(109,791)	(109,791)
	0	(798,849)	(798,849)
Total RPTTF authorized	**2,975,684**	**2,168,835**	**$ 5,144,519**
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**3,100,684**	**2,293,835**	**$ 5,394,519**