



April 20, 2012

Kevin Biersack, Accounting Manager  
City of Cathedral City  
68700 Avenida Lalo Guerrero  
Cathedral City, CA 92234

Dear Mr. Biersack:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Cathedral (City) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 9, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Various projects totaling \$289.5 million. There were no documents that show the Agency has established EOs for the following items:

| Item No. | Page | Project Name                 | Amount                |
|----------|------|------------------------------|-----------------------|
| 22       | 1    | Date Palm Center             | \$ 23,094,420         |
| 6        | 2    | Ramon W of Date Palm         | 50,000                |
| 9        | 2    | Whitewater Bike Trail - Ph 2 | 45,000                |
| 5        | 2    | Ramon E of Date Palm         | 892,836               |
| 16       | 1    | Eastside Downtown            | 544,500               |
| 17       | 1    | Southside                    | 3,075,000             |
| 21       | 1    | CC Downtown Foundation       | 10,000,000            |
| 25       | 1    | Downtown Development         | 230,000,000           |
| 26       | 1    | Heritage Park OPA            | 5,831,203             |
| 27       | 1    | Creekside OPA                | 5,977,062             |
| 18       | 2    | ERICA                        | 1,982,325             |
| 19       | 2    | Solar Panels                 | 1,050,426             |
| 20       | 2    | Mary Pickford Theatres       | 5,989,590             |
| 21       | 2    | Palm Springs Motors          | 1,000,000             |
|          |      | <b>Total</b>                 | <b>\$ 289,532,362</b> |

- Page 2, items 4, 7, 8, 13, and 31 – Various projects totaling \$2.6 million. These items are the City's contracts and are therefore, not EOs of the Agency.

- Administrative expenses totaling \$73,475. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency's five-percent property tax allocation for 2011-12 is \$383,374. Therefore, \$73,475 of the claimed \$456,849 in administrative costs is not an EO. Items 19 and 29 through 37 on page 1 are considered to be administrative expenses.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County Auditor-Controller  
Ms. April Nash, Supervising Accountant, Riverside County Auditor-Controller  
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor-Controller