



May 26, 2012

John S. Raymond, Director of Community and Economic Development
City of Palm Springs
P.O Box 2743
3200 E Tahquitz Canyon Way
Palm Springs, CA 92262

Dear Mr. Raymond:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Palm Springs Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 14, 2012 for the periods January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

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:

January through June 2012 ROPS:

- Page 1, line items 5 and 9 – Merged Project #1 totaling \$1.9 million and line items 3 and 7, page 4 – Merged Project #2 totaling \$1.2 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Page 1, line item 26 – Merged Project #1 totaling \$3 million. The county deducts property tax collection fees from the successor agency's tax increment prior to distribution. Therefore, this item is not an EO.
- Page 6, line item 3 – Low and Moderate Income Housing Fund Obligations in the amount of \$1.6 million. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.
- Administrative cost claimed exceeds allowance by \$230,753. HSC section 34171 (b) limits fiscal year 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of

the property tax allocated is \$443,482. Administrative costs claimed from January to June 2012 totaled \$674,235. Therefore, the administrative cost allowance for 2011-12 is \$443,482. The following line items have been counted towards the administrative cap allowance:

Page	Item #	Admin Costs	Amount
1	10	Cooperative Agreement	\$107,400
1	11	Cooperative Agreement	4,532
1	12	Cooperative Agreement	78,630
1	13	Cooperative Agreement	11,064
1	15	Contract Services - Audit	2,500
1	16	Contract Services - Legal	34,503
1	21	Contract Services - Financial	10,000
1	23	2011 Open PO - Financial	6,657
1	25	Contract Services - Other	60,000
1	30	Contract Services - Financial	6,538
4	8	Cooperative Agreement	107,400
4	9	Cooperative Agreement	4,444
4	10	Cooperative Agreement	37,595
4	11	Cooperative Agreement	7,920
4	13	Contract Services - Audit	1,700
4	14	Contract Services -Legal	5,436
4	15	Contract Services -Financial	8,000
4	16	Contract Services -Other	20,000
6	7	Cooperative Agreement	116,400
6	8	Cooperative Agreement	892
6	9	Cooperative Agreement	29,896
6	10	Cooperative Agreement	5,334
6	12	Contract Services - Audit	394
6	14	Contract Services -Financial	2,000
6	15	Contract Services -Other	5,000
		Total	\$674,235

July through December 2012 ROPS:

- Page 1, line items 5 and 8 – Merged Project #1 totaling \$468,406 and page 1, line item 20 – Merged Project #2 totaling \$424,000. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.

Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. 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 in the RPTTF.

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

Sincerely,



MARK HILL
Program Budget Manager

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