DEPARTMENT OF FINANCE

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December 18, 2012

Ms. Tami Scott, Administrative Services Director
Cathedral City
68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234

Dear Ms. Scott:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 15, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Cathedral City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 17, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 15, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 13, 2012.

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 items being disputed.

- Item No. 20 – Downtown Development in the amount of $20 million of bond proceeds and $230 million of RPTTF. Finance continues to deny the item. The Owner Participation Agreement (OPA) between Cathedral City Redevelopment Agency and City Urban Revitalization Corporation is not specific to any projects. Pursuant to HSC section 34173 (b), an agency is prohibited from entering into a contract after June 27, 2011. Therefore, this is not an enforceable obligation. Additionally, the Urban Revitalization Corporation is part of Cathedral City as defined in AB 1484, which makes this an agreement between the City and former redevelopment (RDA). Agreements between the City and the former RDA are not enforceable obligations. Assuming the excess bond proceeds requested for use for this item were issued prior to January 1, 2011, upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the item to be enforceable in future ROPS periods.

- Item No. 43 – Eagle Canyon Dam Memorandum of Understanding (MOU) in the amount of $500,000 of bond proceeds. Finance continues to deny the item. The MOU is intent to contract in the future; however, no contracts are in place. Additionally, the MOU is between Cathedral City and other parties. The former RDA is not a party to the agreement. Pursuant to HSC section 34173 (b), an agency is prohibited from entering into a contract after June 27, 2011. Therefore, this is not an enforceable obligation.

Assuming the excess bond proceeds requested for use were issued prior to January 1, 2011, upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the item to be enforceable in future ROPS periods.

In addition, per Finance's determination letter dated October 15, 2012, the following item is not being disputed by the Agency and continues to be denied:

- Administrative costs claimed for RPTTF exceed the allowance by $7,248. HSC section 34171 (b) limits the 2012-13 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater.

Amount administrative costs for fiscal year 2012-13	$456,661
Administrative costs claimed for July through December 2012	222,300
Administrative costs claimed for January through June 2013	241,609
Overage	$ 7,248

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $8,046,389 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	7,812,028
Less: Six-month total for item(s) denied or reclassified as administrative cost		0
Total approved RPTTF for enforceable obligations	$	7,812,028
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		234,361
Total RPTTF approved:	$	8,046,389
Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	7,410,000
Total RPTTF for the period January through June 2013		7,812,028
Total RPTTF for fiscal year 2012-13:	**$**	**15,222,028**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		456,661
Administrative allowance for the period of July through December 2012		222,300
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**234,361**

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Kevin Biersack, Accounting Services Manager, City of Cathedral City
Ms. Pam Elias, Chief Accountant, Property Tax Division, Riverside County Auditor Controller
California State Controller's Office