



December 18, 2012

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

Dear Ms. Kelly:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Desert Hot Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 23, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 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 Wednesday, October 31, 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 items being disputed.

- Item No. 16 – True-up payment totaling \$118,267. Finance denied the item as an enforceable obligation as HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months. Finance acknowledges the Agency's concern related to the true-up payment and that it continues to protest the payment made. However, Finance continues to deny this item at this time.
- Item No. 18 – Adjustment to Redevelopment Obligation Retirement Fund totaling \$91,552. Finance denied the item as an enforceable obligation as HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months. The Agency contends the item is an enforceable obligation because actual revenues received were less than actual expenses paid with Redevelopment Property Tax Trust Fund (RPTTF) for January through June 2012. The Agency stated that it used City of Desert Hot Spring (City) funds from a pooled account to cover the deficit. Per HSC section 34713 (h), the city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion. An enforceable obligation shall be deemed to be created for the repayment of those loans. However, the Agency does not have a loan agreement with the City and has not identified the enforceable obligations paid for with City funds. Once the Agency has entered into a loan with the City for purposes specified in HSC section 34173 (h) and

subject to the oversight board's approval, the use and receipt of the loan funds should be reflected on a subsequent ROPS. Therefore, this item is not an enforceable obligation.

Furthermore, per Finance's ROPS letter dated October 3, 2012, the following item that was not disputed by the Agency continues to be reclassified as an administrative cost:

Item No. 7 – Annual insurance costs in the amount of \$7,000. Although this reclassification increased administrative costs to \$137,586, the administrative cost allowance for the fiscal year has not been exceeded.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$1,601,552 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,693,785
Less: Six-month total for items denied or reclassified as administrative cost	
Item No. 7*	7,000
Item No. 16	118,267
Item No. 18	91,552
Total approved RPTTF for enforceable obligations	\$ 1,476,966
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	124,586
Total RPTTF approved:	\$ 1,601,552

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.

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

Sincerely,



Steve Szalay
Local Government Consultant

cc: Mr. Steve Elam, Interim Administrative Services Director, City of Desert Hot Springs
Ms. Pam Elias, Chief Accountant Property Tax Division, County of Riverside,
Auditor Controller
California State Controller's Office