



December 18, 2012

Ms. Veronica Tapia, Accountant II  
City of Palm Desert  
73-510 Fred Waring Drive  
Palm Desert, CA 92260

Dear Ms. Tapia:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Desert Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 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 2, 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 item being disputed.

- Item Nos. 45, 102, 135 and 170 – Bond Project Overhead Costs in the amount of \$6.4 million funded by bond proceeds. Finance no longer objects to the items as revised by the Agency. Finance denied the items as HSC 34163 (b) prohibits an agency from entering into contracts after June 27, 2011. Since the majority of the future bond projects do not qualify as enforceable obligations and the overhead costs are calculated based on future bond work, these items are not considered enforceable obligations. The Agency contends the items are enforceable obligations because there are amounts within the calculation that are relevant to currently awarded contracts/projects. The Agency provided revised calculations including only the current projects and requested the items be revised to the following amounts:
  - Item 45 – \$553
  - Item 102 – \$17,903
  - Item 135 – \$9,324
  - Item 170 – \$7,356

The amounts are related to the overhead costs for current bond projects. The revised amounts are enforceable obligations.

- The Agency requested to adjust the requested Redevelopment Property Tax Trust Fund (RPTTF) for the following items from \$0 to the following amounts:
  - Item 32 – \$2,175,370
  - Item 86 – \$628,192
  - Item 119 – \$174,664
  - Item 160 – \$509,397

Finance did not select these items as part of the ROPS III review. The Agency did not identify any specific projects or contracts to be funded; therefore, Finance denies the Agency's request to revise the ROPS III amounts and will continue to list the items as \$0 for the current period. However, the Agency may list these items in a subsequent ROPS period and Finance will review the items at that time.

In addition, per Finance's ROPS letter dated October 8, 2012, the following items not disputed by the Agency continue to be denied:

- Item Nos. 10, 62, 109, and 143 – Low and Moderate Housing Fund Loans in the amount of \$13.3 million. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, these items are not an enforceable obligations and not eligible for funding on this ROPS.
- Item Nos. 46 through 50, 91 through 95, 103 through 106, 136 through 138, 171 through 175 – Various projects totaling \$133.4 million funded by bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Since no contracts are in place for these items, they are not enforceable obligations.
- Item Nos. 59, 60 and 61- Contracts or agreements between the City of Palm Desert and the Palm Desert Redevelopment Agency in the amount of \$13.5 million. HSC section 34171 (d) (2) states that agreements or contracts between the city that created the redevelopment agency (RDA) and former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the RDA. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding on this ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$18,492,802 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 20,287,210
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 10	1,304,766
Item 59	68,750
Item 60	25,688
Item 61	90,000
Item 62	469,451
Item 109	121,289
Item 143	332,155
Total approved RPTTF for enforceable obligations	<u>\$ 17,875,111</u>
Plus: Requested RPTTF distribution for administrative cost for ROPS III	<u>617,691</u>
<b>Total RPTTF approved:</b>	<b>\$ 18,492,802</b>

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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

Cc on the following page

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cc: Ms. Janet Moore, Director of Housing, City of Palm Desert  
Ms. Pam Elias, Chief Accounting Property Tax Division, County of Riverside  
Auditor Controller  
California State Controller's Office