

## REPORT TO THE CITY COUNCIL AND SUCCESSOR AGENCY

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**DATE:** December 2, 2014

**TITLE:** (Successor Agency)  
Receive and File Department of Finance Approval of  
Recognized Obligation Payment Schedule 14-15 B

**Prepared by:** Linda Kelly, Program & Financial Specialist

**Reviewed by:** Robert Lee, Deputy City Attorney

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### RECOMMENDATION

Receive and file approval by the Department of Finance of Recognized Obligation Payment Schedule 14-15B covering the reporting period of January 1, 2015 through June 30, 2015.

### BACKGROUND

Health and Safety Code Section 34180 requires that the Successor Agency ("Successor Agency") of the Redevelopment Agency of the City of Desert Hot Springs ("Former RDA") approve a Recognized Obligation Payment Schedule ("ROPS") every six (6) months following the dissolution of the Former RDA. The ROPS outlines enforceable obligations to be paid from former tax increment funds, interest income, and redevelopment trust funds. Once approved by the Successor Agency, the Successor Agency's Oversight Board ("Oversight Board") and the Department of Finance, the ROPS serves as a permanent schedule of obligations authorized to be paid to continue to wind down the affairs of the Former RDA. The Riverside County Auditor-Controller will allocate property tax increment to the Successor Agency to pay the obligations listed on the ROPS. Obligations not paid from tax increment will be paid from funds held in trust, debt service reserve funds, interest income and rental income. The Successor Agency, Oversight Board, and the Department of Finance have already approved the ROPS covering the following periods:

- January 1, 2012 through June 30, 2012
- July 1, 2012 through December 31, 2012
- January 1, 2013 through June 30, 2013
- July 1, 2013 through December 31, 2013
- January 1, 2014 through June 30, 2014
- July 1, 2014 through December 31, 2014 ("ROPS 14-15A")

On September 19, 2014, the Successor Agency staff forwarded the ROPS for the period of January 1, 2015 through June 30, 2015 ("ROPS 14-15B") and other supporting documents to the Department of Finance, Auditor Controller's Office and the State Controller's Office, via-email, and received written confirmation from the Department of Finance that the report had been received.

### DISCUSSION

On November 3, 2014, the Department of Finance issued a letter approving several of the items that were listed on the ROPS 14-15B. However, they noted some items that were included on the ROPS 14-15B form that required some adjustments as follows:

Item No. (19) - Adjustment to Redevelopment Obligation Retirement Fund Shortfall of funding from Auditor Controller for June 2013 in the amount of \$87,924, was a duplicate as it was also included in line item (20). Therefore, the Department of Finance denied funding for this item.

Item No. (31) – ROPS 14-15A Administrative Fee distribution shortfall in the amount of \$50,328.00 was not allowed. Pursuant to Section 34177(l)(1)(E) of the Health and Safety Code, Redevelopment Property Tax Trust Funds (“RPTTF”) may be used as approved on a ROPS but only to the extent no other funding source is available. Expenditures for the ROPS 14-15A administrative fee shortfall were paid using rental income which was available at the time. Accordingly, monies were not allocated and approved for this shortfall. Going forward, staff will plan to use that funding to do improvements and additional maintenance on the Successor Agency units and/or prepare documentation evidencing that the funds used will be used as a temporary loan, so that the funding can be recaptured through a future ROPS cycle.

Item No. (8) -- PERMA JPA annual insurance costs in the amount of \$7,000 was reclassified as administrative costs rather than as originally listed under RPTTF Non Administrative costs. Funding for this \$7,000 was denied because the claimed total administrative costs exceed the maximum allowance by \$7,000.

The Successor Agency’s maximum approved RPTTF distribution for ROPS 14-15B is \$2,994,140.00 covering debt service payments totaling \$1,177,515.00, administrative expenses totaling \$125,000.00, prior period ROPS shortfalls totaling \$494,225.00 and future debt service reserve payments totaling \$1,197,400.00. The funding approved is sufficient to make all debt service payments due March 1, 2015, cover administration costs up to a total of \$125,000.00, build up reserves for the September 1, 2015 debt service payments to replenish the Successor Agency for prior period ROPS shortfalls as long as the property tax increment does not fall short of what is projected and approved.

Staff reviewed the Department of Finance’s adjustments to ROPS 14-15B and concurs with the adjustments. As such, staff did not request a meet and confer for the ROPS 14-15B period.

**FISCAL IMPACT**

None determined at this time.

**EXHIBIT(S)**

- 1) Department of Finance Letter Dated November 3, 2014