



MEET AND CONFER REQUEST FORM

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state “[Agency Name] Request to Meet and Confer”. Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance’s determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance’s website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance’s Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

☒ Successor Agency ☐ Housing Entity

AGENCY NAME: Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

☐ Housing Assets Transfers ☐ Due Diligence Reviews ☒ ROPS Period 16-17 A/B

DATE OF FINANCE’S DETERMINATION LETTER: March 31, 2016

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

☐ Meeting at Finance ☒ Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

The Successor Agency disputes DOF's proposed determinations described in its March 31, 2016 letter with respect to enforceable obligation ("EO") Nos. 2, 4, 6, 20, 32, 36 and 37 on ROPS 16-17 A and B. As explained to DOF staff in untold numbers of telephone communications and correspondence, but unfortunately not recognized in DOF's March 31, 2016 letter, the Successor Agency remains desperately cash-flow insolvent! This fiscal calamity is further exasperated by the uneven flow of RPTTF. As DOF is aware, on a state-wide basis RPTTF flows at a rate of approximately 45% of available RPTTF during the "A" ROPS cycle and 55% of available RPTTF during the "B" ROPS cycle. This phenomenon is particularly worrisome when the principal reduction payments due for the TABs are to be paid during the "A" ROPS cycle (i.e., the low cash cycle). For this reason and others, not least of which is the bond covenants themselves and the desire to pay all EOs when due, the Successor Agency has requested in the past and DOF has approved in the past the advance allocation of principal reduction debt service payments, of which the contribution of such during the "B" ROPS cycle is essential to avoiding defaults on principal reduction bond debt during the "A" ROPS cycle and other unsavory outcomes. Unfortunately, it appears that DOF has not grasped the serious nature of the Successor Agency's need for DOF's cooperation to avoid debt service defaults. Therefore, it is essential that DOF reconsider of its March 31, 2016 determinations to enable the Successor Agency to meet its financial obligations. Additional and topic specific data regarding each EO are provided in Section B, below.

B. Background/History *(Provide relevant background/history, if applicable.)*

The Successor Agency disputes DOF's proposed determinations described in its March 31, 2016 letter with respect to enforceable obligation ("EO") Nos. 2, 4, 6, 20, 32, 36 and 37 on ROPS 16-17 A and B. The reasons for the Successor Agency's disputes are described below.

EO Nos. 2, 4 and 6: With respect to EO Nos. 2, 4 and 6, DOF incorrectly reclassified a portion of the debt service amounts due for these EOs during the "A" cycle of ROPS 16-17 to "Reserve Balance", which does not exist. In the case of EO Nos. 2, 4 and 6, \$637,500 (EO No. 2), \$300,000 (EO No. 4), and \$60,000 (EO No. 6) worth of the contribution to the principal reduction component of those bonds has already been paid to the Trustee bank during ROPS 15-16B. In addition, DOF's disallowance of funding during ROPS 16-17B for all or a portion of the principal reduction component of those bonds due during 2017 is projected to cause a shortfall in the debt service fund and require draws on the debt service reserve funds for each bond issue. This outcome is and would be considered by the Trustee as a default. This calamity can and must be prevented. DOF is requested to authorize funding for EO Nos. 2, 4 and 6 for ROPS 16-17B in the amounts requested.

EO Nos. 20, 32 and 37: With respect to EO Nos. 20, 32 and 37, the Successor Agency remains cash-flow insolvent, as noted above. Accordingly, the Successor Agency needs to ensure that its funding requests for past shortfalls caused by the Successor Agency's cash-flow insolvency condition appear on both the "A" and "B" ROPS cycles. Prior to the annual ROPS format, the Successor Agency included these payments on both ROPS cycles without any concern expressed by DOF. The Successor Agency believes that if DOF had not converted to an annual ROPS, these matters would not have been contested by DOF. Further, it is anticipated that it may take several annual ROPS cycles (i.e., several more years) to actually recover these shortfalls. Short of a DOF guaranty that all of the requested funds will be available during ROPS 16-17A (the Successor Agency does not believe this to be true), it is necessary that the full amounts of the shortfalls appear on each "A" and "B" ROPS cycle going forward until the amounts are funded. Given the nature of the Successor Agency's cash-flow insolvency condition, the Successor Agency assures DOF that these enforceable obligations will not be paid twice. In the future, if there are any surplus funds available (the Successor Agency can only wish for this now), the surplus funds would be applied as a prior period adjustment on a future ROPS.

The Successor Agency believes that this is the most prudent way to manage this matter and requests that the DOF reverse its position on these EOs.

EO No.36: With respect to EO No. 36, it appears that there is a disconnection with respect to how the LRPMP is to be implemented. DOF contends that properties within the LRPMP designated for "Future Development" ("FD") were to be transferred to the City of Desert Hot Springs ("City"). However, in its letter of May 15, 2015, DOF approved the LRPMP and advised that the approved LRPMP shall govern, and supersede all other provisions relating to, the disposition and use of all the real property assets of the former redevelopment agency. In Section J. of the LRPMP with respect to each of the FD properties, the LRPMP clearly indicates that such properties will only be transferred to the City after a Compensation Agreement is approved by all of the taxing entities. In addition, this same section of the LRPMP gives the Successor Agency the sole option of selling the FD sites, which would negate the need for a Compensation Agreement. The sale option was included in the event that the taxing entities were uncooperative or that it was deemed infeasible to pursue a future development option on any of the FD sites. For your information, the process of identifying and selecting developers for FD sites has been initiated. However, the timing of the outcomes cannot be determined at this time. Based on the foregoing, the Successor Agency remains legally responsible for the remaining sites in the LRPMP. For your information, one government use and two FD sites have already transferred and are not included in the funding request for EO No. 36. In addition, per HSC § 34191.4 (a), "All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the **successor agency** upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.5 unless that property is subject to the requirements of any existing enforceable obligation" (emphasis added). The Successor Agency now holds all of its remaining real property assets in its Community Redevelopment Property Trust Fund, consistent with the requirements therefor in the HSC. These assets will remain in this Fund until transferred pursuant to the LRPMP, which supersedes all other provisions related thereto. Therefore, it is essential that the Successor Agency has the resources necessary to properly manage its real property assets until they are disposed of, inclusive of costs that are ancillary to their ultimate disposition that are of the sort that cannot be recovered or paid for from land sales proceeds through an escrow. Since all of the improved real property assets have physical deficiencies, it is both obvious and necessary to have adequate resources to respond to whatever calamities may occur. Likewise, there are costs for such things as appraisals, economic analyses, legal services, costs and fees that may not be recoverable from land sales proceeds through an escrow that are prerequisites to a land sale transaction. EO No. 36 requests a budget for funding such costs, which were estimated based on similar type open market costs. Accordingly, and consistent with the foregoing, it is requested that DOF reverse its determination with respect to EO No. 36 and authorize the funding as originally requested in ROPS 16-17 A and B. With this assistance, the Successor Agency will be able to manage the disposition of its real property assets in the quickest possible timeframe. If these funds are not available, it is possible that some of the transactional work may be delayed beyond FY 2016-17 for lack of funding.

Request: Based on the information provided above, the Successor Agency requests that DOF reconsider its March 31, 2016 letter with respect to enforceable obligation ("EO") Nos. 2, 4, 6, 20, 32, 36 and 37 on ROPS 16-17 A and B and approve each enforceable obligation as submitted on ROPS 16-17 A and B.

C. Justification *(Provide additional attachments to this form, as necessary.)*

The justification is included within the response provided in Section B, above.

Agency Contact Information

Name: Martin Magana

Title: City Manager

Phone: (760) 329-6411 x 289

Email: mmagana@cityofdhs.org

Date: April 9, 2015

Name: Linda Kelly

Title: Program & Financial Specialist

Phone: (760) 329-6411 x289

Email: lkelly@cityofdhs.org

Date: April 9, 2015

Department of Finance Local Government Unit Use Only

REQUEST TO MEET AND CONFER DATE: ☐ APPROVED ☐ DENIED

REQUEST APPROVED/DENIED BY: _____ DATE: _____

MEET AND CONFER DATE/TIME/LOCATION: _____

MEET AND CONFER SESSION CONFIRMED: ☐ YES DATE CONFIRMED: _____

DENIAL NOTICE PROVIDED: ☐ YES DATE AGENCY NOTIFIED: _____