



CITY OF DESERT HOT SPRINGS
REGULAR MEETING OF THE
RDA SUCCESSOR AGENCY OVERSIGHT BOARD

AGENDA

JUNE 8, 2016 - 8:00 A.M.

CITY COUNCIL CHAMBER
CARL MAY COMMUNITY CENTER
11711 West Drive, Desert Hot Springs, California

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

APPROVAL OF THE AGENDA

MINUTES

Regular Meeting Minutes: April 13, 2016

Deputy City Clerk, Doria Wilms

Recommendation: Approve Minutes as submitted; or as corrected.

PUBLIC COMMENTS

At this time, pursuant to State law, any person may comment on an item, which is NOT on the agenda. PLEASE STATE YOUR NAME FOR THE RECORD.

Comments are limited to the first ten (10) speakers at three (3) minutes per speaker. All comments are to be directed to the RDA Successor Agency Oversight Board and shall be devoid of any personal attacks. Members of the public are expected to maintain a professional, courteous decorum during public comments.

ADMINISTRATIVE CALENDAR

1. Department of Finance Approval of Recognized Obligation Payment Schedule (ROPS) 16-17

Administrative Services Director, Joseph M. Tanner, Jr.

Recommendation: Receive and file approval by Department of Finance of Recognized Obligation Payment Schedule (ROPS) 16-17 covering the reporting period of July 1, 2016 through June 30, 2017.

BOARD MEMBER COMMENTS

ADJOURN REGULAR MEETING

NOTICES

Title 2

In an effort to comply with the requirements of Title 2 of the Americans With Disabilities Act of 1990, the City of Desert Hot Springs requires that any person in need of any type of special equipment, assistance, or accommodation(s) in order to communicate at a City public meeting, must inform the City Clerk a minimum of 72 hours prior to the scheduled meeting to enable the City to make reasonable arrangements.

SB 343

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the Community Development Department at City Hall during normal business hours at 65950 Pierson Boulevard, Desert Hot Springs, CA 92240.

If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda at 11711 West Drive, Desert Hot Springs, CA 92240.



CITY OF DESERT HOT SPRINGS

REGULAR MEETING OF THE RDA SUCCESSOR AGENCY OVERSIGHT BOARD

DRAFT ACTION MINUTES

APRIL 13, 2016 - 8:00 A.M.

**CARL MAY COMMUNITY CENTER
CITY COUNCIL CHAMBERS
11711 West Drive, Desert Hot Springs, California**

CALL TO ORDER

The meeting was called to order at 8:01 A.M. by Chairman Russ Martin.

ROLL CALL

Board Members Julie Arthur, Martín Magaña, Armando Rodriguez, Mary Jane Sanchez-Fulton, Dirk Voss, Vice Chair John Aguilar, and Chairman Russ Martin were present at the call of roll.

PLEDGE OF ALLEGIANCE

Board Member Julie Arthur led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

Chairman Martin moved to approve the agenda as presented, seconded by Board Member Rodriguez. Motioned carried 7/0.

Passed: For: 7; Against: 0; Absent: 0; Abstain: 0

MINUTES

March 9, 2016 Regular Meeting Minutes

There were no revisions requested. The March 9, 2016 RDA Oversight Board Meeting Minutes were approved as presented by Chairman Martin.

PUBLIC COMMENTS

No Public Comments.

Chairman Russ Martin introduced new Board Member Dirk Voss.

DISCUSSIONS/PRESENTATIONS

1. General and Legislative Updates

Program and Financial Specialist, Linda Kelly

Linda Kelly, Program and Financial Specialist provided an update on RDA Properties.

ADMINISTRATIVE CALENDAR

2. (Continued from March 9, 2016)

Continuation of Legal Services With Barry Schultz and the New Legal Firm of Devaney Pate Morris and Cameron, LLP

Linda Kelly, Program and Financial Specialist

Recommendation: 1) Direct staff to work with Barry Schultz and the new legal firm of Devaney Pate Morris and Cameron, LLC on a new Professional Services Agreement for legal services to be provided to the Desert Hot Springs Successor Agency Oversight Board in the amount of \$30,000.00, or
2) Direct staff to prepare and RFP/RFQ to solicit for a period of 60 days for qualified legal firms to submit bids for legal services for the Desert Hot Springs successor Agency Oversight Board and approve a 90 day extension of services with Barry Schultz and Denaney Pate Morris and Cameron, LLP until a new replacement firm is selected.

Linda Kelly, Program and Financial Specialist presented the staff report and responded to questions.

Mr. Schultz, Legal Counsel provided information and responded to questions.

A discussion ensued

Chairman Martin proposed a motion directing staff to work with Barry Schultz and the new legal firm Devaney Pate Morris and Cameron, LLC on a new Professional Service Agreement for legal services to be provided to the Desert Hot Springs Successor Agency Oversight Board in the amount of \$30,000.00, seconded by Board Member Arthur. Motion carried 6/1.

Passed: For: 6; Against: 1 (Sanchez-Fulton); Absent: 0; Abstain: 0

BOARD MEMBER COMMENTS

Board Member Mary Jane Sanchez-Fulton supports hiring locally.

ADJOURN REGULAR MEETING

Meeting Adjourned 8:19 A.M.

DRAFT

REPORT TO THE SUCCESSOR AGENCY OVERSIGHT BOARD



DATE: June 8, 2016

TITLE: Department of Finance Approval of Recognized Obligation Payment Schedule (ROPS) 16-17

Prepared By: Linda Kelly, Program and Financial Specialist

Reviewed By: Robert Lee, Deputy City Attorney

RECOMMENDATION

Receive and file approval by Department of Finance of Recognized Obligation Payment Schedule (ROPS) 16-17 covering the reporting period of July 1, 2016 through June 30, 2017.

BACKGROUND

Health and Safety Code Section 34180 requires that the Successor Agency ("Successor Agency") to 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 a ROPS is approved by the Successor Agency, the Successor Agency's Oversight Board ("Oversight Board") and the Department of Finance ("DOF"), the Successor Agency is authorized to make payments authorized by each ROPS and 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 DOF 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
- January 1, 2015 through June 30, 2015
- July 1, 2015 through December 31, 2015
- January 1, 2016 through June 30, 2016

Now, each ROPS must be submitted to and approved by DOF on an annual basis. On January 27, 2016, the Successor Agency staff forwarded the ROPS for the period of July 1, 2016 through June 30, 2017 ("ROPS 16-17") and other supporting documents to DOF, Auditor Controller's Office and the State Controller's Office, via-email, and received written confirmation from DOF that the report had been received.

DISCUSSION

Through a letter dated March 31, 2016, the DOF approved portions of the items listed on the ROPS 16-17 as prepared by staff.

In addition, the DOF noted that based on a sample of line items reviewed and application of the law, DOF made certain determinations:

Item (2) Series 2008 A-1 Tax Allocation Bond – bond payment was listed in equal dollar amounts for both ROPS 16-17 A & B and based on DOF's review, DOF moved a portion of the amount requested to the reserve balance. The same occurred for item (4) 2006 Tax Allocation Bond and for item (6) the 2009 Tax Allocation Bond. The primary reason is that the funding that was approved in ROPS 15-16B has not been expended by the Agency and they want to be able to track the funding.

Item (20) and Item (32) represent prior period ROPS shortfalls in RPTTF that were approved by DOF under ROPS 13-14 A totaling \$341,365 and under ROPS 14-15 B totaling \$347,693 that were listed for both period A and B of the Detail ROPS 16-17 reporting form. Staff has been denied funding in earlier ROPS periods due to the fact that the short fall dollar amounts were not listed on that particular detail ROPS page. Based on that one denial staff felt that it was necessary to list the dollar amounts in both columns even though the total dollar amounts that were listed were doubled with the understanding that the DOF would only approve payment for the total short fall one time. DOF approved the shortfall as listed in part A of the report and denied the duplicate dollar amount in part B of the detail ROPS 16-17 report.

Item (36) implementation costs requested in the amount of \$100,000 related to property disposition was not approved. DOF denied the total dollar funding limiting the expenses for ROPS 16-17 A to a total of \$25,000. In their opinion costs of properties that were approved in the LRPMP for future development should be transferred to the City and the costs for those transfers should be paid by the City.

Item (37) ROPS 15-16 B shortfall in the amount of \$109,791 was listed for the same dollar amount in ROPS 16-17 part A and part B. DOF denied it as a duplicate funding authorization and approved the shortfall of \$109,791 under ROPS 16-17 part A and denied it under part B.

Based on these items as stated above, the Successor Agency requested, and on April 12, 2016, engaged in, a Meet and Confer with DOF to discuss further its findings as stated in the letter dated March 31, 2016 (see attached copy of the Meet and Confer documents dated April 9, 2016). Joe Tanner, Administrative Services Director and Linda Kelly, Program and Financial Specialist, participated in the Meet and Confer with DOF.

Subsequent to the Meet and Confer, DOF issued a second letter dated May 17, 2016, which modified and superseded its March 31, 2016 letter. Through its May 17, 2016 letter, DOF approved items (2), (4), (6) and (36) based on the additional information that was provided in the Meet and Confer documentation at the higher level of review.

With regard to items (20) and (32) and (37) which are the shortfalls for prior period ROPS, the DOF removed the duplicate dollar amount that was listed under these items in part B of the ROPS 16-17 form. However, DOF also stated that such removal does not limit the Successor Agency's ability to receive these funds specific to the A period. DOF's determination is for the entire ROPS 16-17 period; the County Auditor-Controller is authorized to distribute and the Successor Agency is authorized to receive up the maximum approved RPTTF through the combined ROPS A and B period distributions. This is still a "win" for the Successor Agency since the DOF has stated its intent in writing which means that should there be an issue with the County Auditor Controller the Successor Agency will have recourse.

The RPTTF dollar amount of \$5,394,519 that was approved will cover all of the payments as requested by the Successor Agency staff. The only items that were reduced were the duplicate shortfalls for three prior ROPS periods.

At this time staff is requesting that you receive and file the approval of ROPS 16-17 as determined by DOF in its second letter dated May 17, 2016.

FISCAL IMPACT: None

EXHIBIT(S)

1. Department of Finance letter dated March 31, 2016 approving the Recognized Obligation Payment Schedule for ROPS 16-17.
2. Meet and Confer Request Form dated April 9, 2016
3. Department of Finance letter dated May 17, 2016, approving the Recognized Obligation Payment Schedule for ROPS 16-17 based on the additional information as received during the Meet and Confer Session.



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

March 31, 2016

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

Dear Ms. Kelly:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Desert Hot Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 2 – 2008 Series A-1 Tax Allocation Bond in the total requested amount of \$2,191,300 is partially reclassified to Reserve Balance. It is our understanding, the amount reported under Redevelopment Property Tax Trust Fund (RPTTF) includes \$637,500 authorized by Finance during the January 1, 2016 through June 30, 2016 (ROPS 15-16B) period as reserves for future bond payment. The authorized amount was distributed by the Riverside County Auditor-Controller (CAC) in ROPS 15-16B, but has yet to be expended by the Agency. As such, of the \$1,095,650 requested for the July 1, 2016 through December 31, 2016 (ROPS A period), \$458,150 is approved for RPTTF and \$637,500 is reclassified to Reserve Balance funding.
- Item No. 4 – 2006 Tax Allocation Bond in the total requested amount of \$706,056 is partially reclassified to Reserve Balance. It is our understanding, the amount reported under RPTTF includes \$300,000 authorized by Finance in ROPS 15-16B as reserves for future bond payment. The authorized amount was distributed by the CAC in ROPS 15-16B, but has yet to be expended by the Agency. As such, of the \$353,028 requested in ROPS A period, \$53,028 is approved for RPTTF and \$300,000 is reclassified to Reserve Balance funding.
- Item No. 6 – 2009 Tax Allocation Bond in the total requested amount of \$474,540 is partially reclassified to Reserve Balance. It is our understanding, the amount reported under RPTTF includes \$60,000 authorized by Finance in ROPS 15-16B as reserves for future bond payment. The authorized amount was distributed by the CAC in ROPS 15-16B, but has yet to be expended by the Agency. As such, of the \$237,270

Ms. Linda Kelly
 March 31, 2016
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requested in ROPS A period, \$177,270 is approved for RPTTF and \$60,000 is reclassified to Reserve Balance funding.

- Item No. 20 – ROPS 13-14A shortfall in the total requested amount of \$682,730 is partially approved. It is our understanding this amount includes duplicate requests in the amount of \$341,365 in each six-month period, totaling \$682,730. Per Agency correspondence, the duplicate request was intentional in anticipation of a shortfall in ROPS A period. Agencies may request funding for insufficient RPTTF to the extent of the actual shortfall amount. To eliminate duplicate funding authorization, Finance is reducing request by \$341,365. As such, \$341,365 in RPTTF (\$682,730 - \$341,365) is approved for the ROPS A period and \$341,365 is denied for the January 1, 2017 through June 30, 2017 (ROPS B period).
- Item No. 32 – ROPS 14-15B shortfall in the total requested amount of \$695,386 is partially approved. It is our understanding this amount includes duplicate requests in the amount of \$347,693 in each six-month period, totaling \$695,386. Per Agency correspondence, the duplicate request was intentional in anticipation of a shortfall in ROPS 16-17A. Agencies may request funding for insufficient RPTTF to the extent of the actual shortfall amount. To eliminate duplicate funding authorization, Finance is reducing the shortfall request by \$347,693. As such, \$347,693 in RPTTF (\$695,386 - \$347,693) is approved for the ROPS A period and \$347,693 is denied for ROPS B period.
- Item No. 36 – Implementation costs requested in the amount of \$100,000 related to property disposition is not approved. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on May 15, 2015, which approved several properties to transfer to the City of Desert Hot Springs (City) for future development. The future development properties should have been transferred to the City upon Finance's approval of the LRPMP. As such, the costs associated with these properties are the responsibility of the City. Finance is allowing funding for five properties approved for sale on the Agency's LRPMP. Therefore, of the \$100,000 requested for ROPS 16-17, a total of \$25,000 is approved for ROPS A Period and \$75,000 is not eligible for RPTTF funding.
- Item No. 37 – ROPS 15-16B shortfall in the total requested amount of \$219,582 is partially approved. For the ROPS 15-16B period, Finance authorized an RPTTF distribution of \$3,147,908. The CAC distributed \$2,349,062, resulting in a \$798,846 shortfall amount. The Agency's shortfall amount is reduced by the shortfalls requested under Item Nos. 20 and 32, and is requesting the net shortfall amount of \$109,791 in both ROPS A and B period. Therefore, to eliminate duplicate funding authorization, Finance is approving \$109,791 in the ROPS A period and \$109,791 is denied for the ROPS B period. ✓

Except for the items denied in whole or in part, or reclassified, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

Ms. Linda Kelly
March 31, 2016
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http://www.dof.ca.gov/redevelopment/meet_and_confer/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,322,019 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

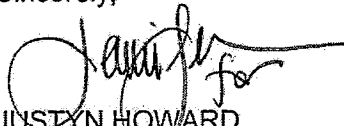
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (j). Finance review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Ms. Linda Kelly
March 31, 2016
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Please direct inquiries to Cindie Lor, Supervisor, or Satveer Ark, Lead Analyst at
(916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read "Justyn Howard", with a long horizontal flourish extending to the right.

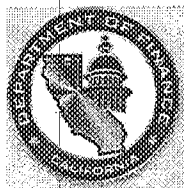
JUSTYN HOWARD
Program Budget Manager

cc: Mr. Martin Magana, City Manager, City of Desert Hot Springs.
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Ms. Linda Kelly
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Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 2,975,684	\$ 2,967,684	\$ 5,943,368
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	3,100,684	3,092,684	\$ 6,193,368
Total RPTTF requested	2,975,684	2,967,684	5,943,368
<u>Denied Items</u>			
Item No. 20	0	(341,365)	(341,365)
Item No. 32	0	(347,693)	(347,693)
Item No. 36	(25,000)	(50,000)	(75,000)
Item No. 37	0	(109,791)	(109,791)
	(25,000)	(848,849)	(873,849)
<u>Reclassified Items</u>			
Item No. 2	(637,500)	0	(637,500)
Item No. 4	(300,000)	0	(300,000)
Item No. 6	(60,000)	0	(60,000)
	(997,500)	0	(997,500)
Total RPTTF authorized	1,953,184	2,118,835	\$ 4,072,019
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	2,078,184	2,243,835	\$ 4,322,019



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.

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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

Name: Linda Kelly

Title: City Manager

Title: Program & Financial Specialist

Phone: (760) 329-6411 x 289

Phone: (760) 329-6411 x289

Email: mmagana@cityofdhs.org

Email: lkelly@cityofdhs.org

Date: April 9, 2015

Date: April 9, 2015

Department of Finance Local Government Unit Use OnlyREQUEST 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: _____

Form DF-MC (Revised 9/10/12)



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. * GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 17, 2016

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

Dear Ms. Kelly:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 31, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Desert Hot Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 27, 2016. Finance issued a ROPS determination letter on March 31, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 12, 2016.

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 determinations being disputed.

- Item No. 2 – 2008 Series A-1 Tax Allocation Bond in the total requested amount of \$2,191,300. Finance no longer partially reclassifies the amount of \$637,500 to Reserve Balance. During the Meet and Confer process, the Agency submitted documentation to support that the amount of \$637,500 in Redevelopment Property Tax Trust Fund (RPTTF) funds had already been advanced towards the payment of bond debt which was authorized by Finance during the January 1, 2016 through June 30, 2016 (ROPS 15-16B) period as reserves for future bond payment. The Agency clarified that it had expended the reserve amount for its intended purpose, but it was not reflected in the ROPS. Moreover, it was the Agency's intent to request additional reserves in the same amount for a future bond payment. As such, the total amount of \$2,191,300 in RPTTF as well as the use of \$637,500 in Reserve Balance is approved.
- Item No. 4 – 2006 Tax Allocation Bond in the total requested amount of \$706,056. Finance no longer partially reclassifies the amount of \$300,000 to Reserve Balance. During the Meet and Confer process, the Agency submitted documentation to support that the amount of \$300,000 in RPTTF had already been advanced towards the payment of bond debt which was authorized by Finance during the ROPS 15-16B period as reserves for future bond payment. The Agency clarified that it had expended the reserve amount for its intended purpose, but it was not reflected in the ROPS. Moreover, it was the Agency's intent to request additional reserves in the same amount for a future bond

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payment. As such, the total amount of \$706,056 in RPTTF as well as the use of \$300,000 in Reserve Balance is approved.

- Item No. 6 – 2009 Tax Allocation Bond in the total requested amount of \$474,540. Finance no longer partially reclassifies the amount of \$60,000 to Reserve Balance. During the Meet and Confer process, the Agency submitted documentation to support that the amount of \$60,000 in RPTTF had already been advanced towards the payment of bond debt which was authorized by Finance during the ROPS 15-16B period as reserves for future bond payment. The Agency clarified that it had expended the reserve amount for its intended purpose, but it was not reflected in the ROPS. Moreover, it was the Agency's intent to request additional reserves in the same amount for a future bond payment. As such, the total amount of \$474,540 in RPTTF as well as the use of \$60,000 in Reserve Balance is approved.
- Item No. 20 – ROPS 13-14A shortfall in the total requested amount of \$682,730. Finance continues to partially approve this item. It is our understanding this amount includes duplicate requests in the amount of \$341,365 in each six-month period, totaling \$682,730. Per Agency correspondence, the duplicate request was intentional in anticipation of a shortfall in ROPS A period. During the Meet and Confer process, the Agency contended that it is necessary that the full amounts of the shortfalls appear on each A and B ROPS cycle. Agencies may request funding for insufficient RPTTF to the extent of the actual shortfall amount. To eliminate duplicate funding authorization, Finance is reducing request by \$341,365. As such, \$341,365 in RPTTF (\$682,730 - \$341,365) is approved for the ROPS A period and \$341,365 is denied for the January 1, 2017 through June 30, 2017 (ROPS B period); however, this does not limit the Agency's ability to receive these funds specific to the A period. Finance's determination is for the entire ROPS 16-17 period; the County Auditor-Controller (CAC) is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.
- Item No. 32 – ROPS 14-15B shortfall in the total requested amount of \$695,386. Finance continues to partially approve this item. It is our understanding this amount includes duplicate requests in the amount of \$347,693 in each six-month period, totaling \$695,386. Per Agency correspondence, the duplicate request was intentional in anticipation of a shortfall in ROPS A period. During the Meet and Confer process, the Agency contended that it is necessary that the full amounts of the shortfalls appear on each A and B ROPS cycle. Agencies may request funding for insufficient RPTTF to the extent of the actual shortfall amount. To eliminate duplicate funding authorization, Finance is reducing the shortfall request by \$347,693. As such, \$347,693 in RPTTF (\$695,386 - \$347,693) is approved for the ROPS A period and \$347,693 is denied for ROPS B period; however, this does not limit the Agency's ability to receive these funds specific to the A period. Finance's determination is for the entire ROPS 16-17 period; the CAC is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.
- Item No. 36 – Implementation costs requested in the amount of \$100,000 related to property disposition. Finance no longer denies this item. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on May 15, 2015, which approved several properties to transfer to the City of Desert Hot Springs (City) for future development. The future development properties within the LRPMP continue to be the

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Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 2,975,684	\$ 2,967,684	\$ 5,943,368
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	3,100,684	3,092,684	\$ 6,193,368
Total RPTTF requested	2,975,684	2,967,684	5,943,368
<u>Denied Items</u>			
Item No. 20	0	(341,365)	(341,365)
Item No. 32	0	(347,693)	(347,693)
Item No. 37	0	(109,791)	(109,791)
	0	(798,849)	(798,849)
Total RPTTF authorized	2,975,684	2,168,835	\$ 5,144,519
Total Administrative RPTTF authorized	125,000	125,000	\$ 250,000
Total RPTTF approved for distribution	3,100,684	2,293,835	\$ 5,394,519

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responsibility of the Agency as the LRPMP specifically stipulates that transfer of the property to the City will occur if the Compensation Agreement is approved. Therefore, the \$100,000 requested for ROPS 16-17 is eligible for RPTTF funding.

- Item No. 37 – ROPS 15-16B shortfall in the total requested amount of \$219,582. Finance continues to partially approve this item. For the ROPS 15-16B period, Finance authorized an RPTTF distribution of \$3,147,908. The CAC distributed \$2,349,062, resulting in a \$798,846 shortfall amount. The Agency's shortfall amount is reduced by the shortfalls requested under Item Nos. 20 and 32, and is requesting the net shortfall amount of \$109,791 in both ROPS A and B period. During the Meet and Confer process, the Agency contended that it is necessary that the full amounts of the shortfalls appear on each A and B ROPS cycle. To eliminate duplicate funding authorization, Finance is approving \$109,791 in the ROPS A period and \$109,791 is denied for the ROPS B period; however, this does not limit the Agency's ability to receive these funds specific to the A period. Finance's determination is for the entire ROPS 16-17 period; the CAC is authorized to distribute and the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items denied in whole or in part, or reclassified, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$5,394,519 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items


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when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Martin Magana, City Manager, City of Desert Hot Springs
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

