



**DEPARTMENT OF
FINANCE**

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

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:

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 "Justin 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

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