



May 17, 2013

Mr. Isaiah Hagerman, Finance Director  
City of Rancho Mirage  
69825 Highway 111  
Rancho Mirage, CA 92270

Dear Mr. Hagerman:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Mirage Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 2013. 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 April 29, 2013.

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. 16 through 20 – Various Housing Authority property improvement projects funded with \$735,000 in bond proceeds. Finance no longer objects to these items. Finance originally denied these items because contracts for these line items have not yet been awarded. Pursuant to HSC section 34191.4 (c) the Agency's requested to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance. During the Meet and Confer process, the Agency contends the requirement set forth in HSC section 34176 (g), which outlines the use of Housing Bond proceeds were properly followed.

Subsequent to the Meet and Confer session, the Agency received a Finding of Completion from Finance on May 7, 2013. Therefore, the Agency may utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c). As such, these items are eligible for expenditure on the ROPS 13-14A, as originally requested. Additionally, because the Agency has received their Finding of Completion there is no longer a need for Finance to verify if the Agency followed the criteria outlined in HSC 34176 (g).

- Item Nos. 26 and 27 – Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment in the amount of \$2,268,009. Finance continues to deny these items at this time. During the Meet and Confer, the Agency contends the loan repayment is not to the Low and Moderate Income Housing Fund, but a repayment to the Housing Authority which is a separate legal entity. It is our understanding the

Housing Authority is a component of the sponsoring entity and not a separate legal entity if the Housing Authority was created by the City. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations.

The Agency received the Finding of Completion on May 7, 2013. As such, after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable obligations in the future ROPS14-15 periods and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's ROPS letter dated April 13, 2013, the following item continues to be denied and was not contested by the Agency:

- Administrative costs claimed for RPTTF exceed the allowance by \$15,310. HSC section 34171(b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$197,979. Therefore, the claimed \$265,310 in administrative costs exceeds the limit by \$15,310 which is not eligible for funding.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 denied on this ROPS or a preceding ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$6,818,316 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 8,867,311
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 26 - SERAF Loan Repayment	1,966,188
Item 27 - SERAF Loan Repayment	301,821
Total approved RPTTF for enforceable obligations	<u>\$ 6,599,302</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>250,000</u>
Minus: ROPS II prior period adjustment	<u>(30,986)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 6,818,316</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/)

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Kylie Le, Supervisor, or Brian Dunham, Lead Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Curt Watts, Economic Development Director, City of Rancho Mirage  
Ms. Pam Elias, Chief Accountant Property Tax Division, County of Riverside  
California State Controller's Office