DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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

April 4, 2014

Mr. John Raymond, Director of Community and Economic Development
City of Palm Springs
3200 East Tahquitz Canyon Way
Palm Springs, CA 92262

Dear Mr. Raymond:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Springs Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 26, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 6 and 17 – 2004 Convention Center Bonds in the amount of $33,600,000. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the former redevelopment agency (RDA) and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or are entered into at the time of issuance of indebtedness obligations. The Agency provided RDA resolutions to support the amounts requested and not agreements. Furthermore, the dates of Resolution Nos. 976 and 1327 are May 1995 and June 2007 which are not considered at the time of issuance.

  Additionally, the Supplemental Trust Agreement No. 3 provided for the issuance of 2004 Series A bonds is between the City of Palm Springs Financing Authority (Authority) and the City of Palm Springs (City), the RDA is not a party to the agreement. Therefore, this item is not considered an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 54 – Plaza Theater Renovation in the amount of $750,000. The Agency is requesting funding to renovate the Plaza Theater property. Finance approved the sale of the subject property in the Agency's Long-Range Property Management Plan (LRPMP) in our letter dated March 25, 2014. HSC section 34181 (a) requires disposal of assets to be done in a manner aimed at maximizing value. However, the estimated renovation cost of $750,000 exceeds $685,000, the estimated current value of the property as reported in the LRPMP. Therefore, this action is not the best interest of the

affecting taxing entities. Furthermore, the Agency provided an e-mail outlining the estimated cost associated with the recommended renovation as per Assessment of the Current Conditions report; however, no contracts are in place. HSC section 34163 (b) prohibits an agency from entering into new contracts or incur obligations for any purposes, including redevelopment activities (e.g. alteration, construction, reconstruction), after June 27, 2011. Therefore, this item is not considered an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 58 – Cash flow loan RPTTF Withholding in the amount of $1,503,000. Agency's OB Resolution No. 01, approving a loan agreement between the Agency and the City of Palm Desert in the amount of $1,500,000 fund a shortfall in meeting the Low and Moderate Income Housing Fund Due Diligence Review (LMIHF DDR) demand amount, was denied on January 29, 2014. Pursuant to HSC 34171 (d), a loan to pay the LMIHF DDR demand amount does not meet the definition of an enforceable obligation. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Item No. 60 – Cash flow loan for PMP Completion in the amount of $25,000. Agency originally requested RPTTF funding for this item. Per Agency's e-mail dated March 6, 2014, the Agency requested that the correct funding source for this item should be Other Funds. Finance has reclassified requested RPTTF balance in the amount of $25,000 to Other Funds to reflect the correct funding source.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is $1,174,219 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		3,722,796
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**3,847,796**
Total RPTTF requested for non-administrative obligations		**3,722,796**
Denied Items		
Item No. 6		(650,000)
Item No. 17		(150,000)
Item No. 54		(100,000)
Item No. 58		(1,503,000)
		(2,403,000)
Reclassified Item		
Item No. 60		(25,000)
		(25,000)
Total RPTTF authorized for non-administrative obligations	**$**	**1,294,796**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**1,419,796**
ROPS 13-14A prior period adjustment		(245,577)
Total RPTTF approved for distribution	**$**	**1,174,219**

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Beliz Chappuie, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Geoffrey Klehl, Director of Finance, City of Palm Springs
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
California State Controller's Office