



April 17, 2012

Debbie Powell, Economic Development/Housing Manager
City Manager's Office
City of La Quinta
PO Box 1504
La Quinta, CA 92247-1504

Dear Ms. Powell:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of La Quinta (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 6, 2012, for the periods of January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Administrative expenses totaling \$1,870,639 for the January through June 2012 period. HSC section 34171 (b) limits administrative expenses for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$835,495. Therefore, \$1,870,639 of the claimed \$2,706,134 in administrative expenses is not an EO. The following were considered administrative expenses:
 - Proj Area 1 – Items 1, 2, 3, 8, and 9
 - Proj Area 2 – Items 1, 2, 9, and 10
 - Proj Areas 1 and 2 – Items 11 and 12
- Administrative expenses totaling \$209,623 for the July through December 2012 period. HSC section 34171 (b) limits administrative expenses in fiscal years after 2011-12 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 \$384,357. Therefore, \$209,623 of the claimed \$593,980 in administrative expenses is not an EO. The following were considered administrative expenses:
 - Proj Area 1 – Items 1, 2, and 3
 - Proj Area 2 – Items 1 and 2
 - Proj Areas 1 and 2 – Items 11, 12, and 13

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive style with a large initial "M" and "H".

MARK HILL
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Auditor-Controller
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor-Controller
Ms. April Nash, Supervising Accountant, Riverside County Auditor-Controller