



April 26, 2012

Veronica Tapia, Accountant
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260

Dear Ms. Tapia:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Palm Desert Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 11, 2012 for the periods 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:

January through June 2012 ROPS:

- The following line items were for pass-thru trust account obligations totaling \$60.5 million. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. It is our understanding that no contracts are in place for these line items.

Item Number	Project Area	Page Number	Project	Amount
25	1	1	Pass-Thru Trust Acct Obligation	\$39,862,122
45	2	5	Pass-Thru Trust Acct Obligation	3,665,266
25	3	8	Pass-Thru Trust Acct Obligation	6,549,775
27	4	12	Pass-Thru Trust Acct Obligation	10,435,341
			Total	\$60,512,504

- The following line items are for agreements or contracts between the City of Palm Desert and the Palm Desert Redevelopment Agency (RDA) totaling \$13.5 million. HSC section 34171 (d) (2) states that agreements or contracts between the city that created the RDA and the former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the RDA.

Item Number	Project Area	Page Number	Project	Amount
5	2	4	North Sphere Hotel Land	\$5,500,000
6	2	4	North Sphere Property Acquisition	2,055,000
7	2	4	City Loan for formation of Project Area No.2-1986	6,000,000
			Total	\$13,555,000

- The following line items are for projects that do not have contracts in place in the amount totaling \$123.3 million. HSC section 34163(b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011.

Item Number	Project Area	Page Number	Project	Amount
46	1	2	Alessandro Alley Frontage Rd Imps	\$5,000,000
47	1	2	Core Commercial Parking Improvements	1,000,000
48	1	2	President's Plaza Parking Lot Imps	1,200,000
49	1	2	Underground Utilities	10,000,000
50	1	2	Portola Ave Widening	3,000,000
49	2	5	North Sphere Fire Station	10,000,000
50	2	5	Monterey Ave On/Off Ramp Imps	6,000,000
51	2	6	Portola @ I-10 Imps	16,800,000
52	2	6	Underground Utilities	12,000,000
30	3	9	Portola Ave On/Off Ramp Construction	8,200,000
31	3	9	Underground Utilities	2,000,000
32	3	9	Portola Avenue Widening	5,000,000
32	4	12	Carlos Ortega Villas	18,500,000
33	4	12	Desert Pointe Rehabilitation	6,000,000
34	4	12	Underground Utilities	18,571,000
			Total	\$123,271,000

- Administrative cost claimed exceeds allowance by \$708,712 (see Attachment A). HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater.

July to December 2012 ROPS:

- The following line items were for pass-thru trust account obligations totaling \$12.4 million. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that there are no contracts for these line items.

Item Number	Project Area	Page Number	Project	Amount
25	1	1	Pass-Thru Trust Acct Obligation	\$8,667,301
45	2	5	Pass-Thru Trust Acct Obligation	250,169
25	3	8	Pass-Thru Trust Acct Obligation	532,295
27	4	12	Pass-Thru Trust Acct Obligation	2,990,664
			Total	\$12,440,429

- The following line items are for agreements or contracts between the City of Palm Desert and the Palm Desert RDA totaling \$13.5 million. HSC section 34171 (d) (2) states that agreements or contracts between the city that created the RDA and the former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the RDA. Additionally, these line items were shown as payments in the January to June 2012 ROPS.

Item Number	Project Area	Page Number	Project	Amount
5	2	4	North Sphere Hotel Land	\$5,500,000
6	2	4	North Sphere Property Acquisition	2,055,000
7	2	4	City Loan for formation of Project Area No.2-1986	6,000,000
			Total	\$13,555,000

- The following line items are for projects that do not have contracts in place in the amount totaling \$123.3 million. In addition, HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 28, 2011. It is our understanding that contracts for these line items were awarded after June 27, 2011.

Item Number	Project Area	Page Number	Project	Amount
46	1	2	Alessandro Alley Frontage Rd Imps	\$5,000,000
47	1	2	Core Commercial Parking Improvements	1,000,000
48	1	2	President's Plaza Parking Lot Imps	1,200,000
49	1	2	Underground Utilities	10,000,000
50	1	2	Portola Ave Widening	3,000,000
49	2	5	North Sphere Fire Station	10,000,000
50	2	5	Monterey Ave On/Off Ramp Imps	6,000,000

Item Number	Project Area	Page Number	Project	Amount
51	2	6	Portola @ I-10 Imps	16,800,000
52	2	6	Underground Utilities	12,000,000
30	3	9	Portola Ave On/Off Ramp Construction	8,200,000
31	3	9	Underground Utilities	2,000,000
32	3	9	Portola Avenue Widening	5,000,000
32	4	12	Carlos Ortega Villas	18,500,000
33	4	12	Desert Pointe Rehabilitation	6,000,000
34	4	12	Underground Utilities	18,571,000
			Total	\$123,271,000

- Administrative expenses totaling \$613,182 (Attachment B). HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater.

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,



MARK HILL
Program Budget Manager

cc: Ms. Janet Moore, Director of Housing, City of Palm Desert
Ms. Pam Elias, Chief Accounting Property Tax Division, County of Riverside
Ms. April Nash, Supervising Accountant, County of Riverside
Ms. Jennifer Baechel, Business Process Analyst II, County of Riverside

ATTACHMENT A

**ADMINISTRATIVE COST CALCULATION
For the Period January – June 2012**

Project Area	Line item	Project Name/Debt Obligation	Payment Source	Amount
1	1	2002 Tax Allocation Refunding Bond Issue	RPTTF	\$1,114,664
1	2	2003 Tax Allocation Bond Issue - \$19,000,000	RPTTF	\$950,000
1	3	2004 Tax Allocation Bond Issue - \$24,945,000	RPTTF	\$1,902,588
1	4	2006 Tax Allocation Bond Issue - \$62,320,000	RPTTF	\$5,093,952
1	5	2007 Tax Allocation Bond Issue - \$32,600,000	RPTTF	\$3,881,750
1	7	2002 Housing Tax Allocation Bond Issue - \$12M	RPTTF	\$769,449
1	8	2007 Housing Tax Allocation Bond Issue - \$87M	RPTTF	\$8,418,137
1	9	Indian Springs Stipulated Agreement	RPTTF	\$69,834
1	10	L/M Housing Fund Loan	RPTTF	\$1,304,766
1	25*	Pass-thru trust account obligations	RPTTF	\$39,862,122
1	26	Energy Independence Program	RPTTF	\$200
1	32	Stipulated Judgment Case No. 51124	RPTTF	\$2,833,633
1	33	Replacement Reserve Fund	RPTTF	\$1,618,199
1	39	PDHA Property Management	RPTTF	\$164,946
1	42	PDHA Property Maintenance	RPTTF	\$44,536
1	43	Agency Owned Properties	RPTTF	\$25,000
1	44	Additional Disclosures on TAB's	RPTTF	\$1,400
1	51	NSP Rehabilitation	RPTTF	\$41,900
1	52	Santa Rosa Apartments	RPTTF	\$30,000
2	1	2002 Tax Allocation Refunding Bond Issue - \$17M	RPTTF	\$1,324,637
2	2	2003 Tax Allocation Bond Issue - \$15M	RPTTF	\$769,006
2	3	2006 Tax Allocation Bond Issue - \$67M	RPTTF	\$3,920,987
2	4	County CIP Reimbursement for 88/89 and 90/91	RPTTF	\$122,707
2	5*	North Sphere Hotel land	RPTTF	\$90,000
2	6*	North Sphere Property Acquisition	RPTTF	\$68,750
2	7*	City Loan formation of Project Area No. 2-1986	RPTTF	\$25,688
2	8	L/M Housing Loan	RPTTF	\$375,561
2	32	Stipulated Judgment Case No. 51124	RPTTF	\$882,607
2	33	PDHA Property Management	RPTTF	\$16,488
2	36	Replacement Reserve Fund	RPTTF	\$179,800
2	45*	Pass-Thru Trust Account Obligations	RPTTF	\$3,665,266
2	46	Additional Disclosures on TAB's	RPTTF	\$600
3	1	2003 Tax Allocation Bond Issue - \$4,745,000	RPTTF	\$294,245
3	2	2006 Tax Allocation Bond Issue - \$15,029,526	RPTTF	\$757,475
3	3	L/M Housing Loan	RPTTF	\$121,289
3	13	Stipulated Judgment Case No. 51124	RPTTF	\$232,265

Project Area	Line item	Project Name/Debt Obligation	Payment Source	Amount
3	14	Replacement Reserve Fund	RPTTF	\$179,800
3	15	PDHA Property Management	RPTTF	\$16,488
3	25*	Pass-Thru Trust Account Obligations	RPTTF	\$6,549,775
3	26	Additional Disclosures on TAB's	RPTTF	\$400
4	1	1998 \$11,020,000 Tax Allocation Bond Issue	RPTTF	\$557,530
4	2	2001 \$15,695,000 Tax Allocation Bond Issue	RPTTF	\$966,967
4	3	2006 \$19,273,089 Tax Allocation Bond Issue	RPTTF	\$1,320,820
4	4	L/M Housing Fund Loan	RPTTF	\$332,155
4	21	Stipulated Judgment Case No. 51124	RPTTF	\$696,795
4	22	Replacement Reserve Fund	RPTTF	\$179,800
4	23	PDHA Property Management	RPTTF	\$16,488
4	26	Additional Disclosures on TAB's	RPTTF	\$600
4	27*	Pass-Thru Trust Account Obligations	RPTTF	\$10,435,341
4	30	NSP Rehabilitation	RPTTF	\$20,862
			Subtotal	\$102,248,266
			Less Amount Disallowed (see line Items with asterisk above)	\$60,696,942
			Total RPTTF Claimed	\$41,551,324
			Admin Allowance (Greater of 5% or \$250,000)	\$2,077,566

**Line Items Considered Administrative Costs
January - June 2012 ROPS**

Project Area	Line item	Description	Payment Source	Amount
1	15	Trustee Services	RPTTF	\$1,392
1	16	Disclosure Services	RPTTF	\$1,152
1	17	Legal Services	RPTTF	\$8,224
1	18	Legal Services	RPTTF	\$648
1	19	Professional Association	RPTTF	\$2,530
1	20	Auditing Services	RPTTF	\$1,063
1	21	Reporting Services	RPTTF	\$422
1	22	Banking Services	RPTTF	\$99
1	23	Liability Insurance	RPTTF	\$1,160
1	24	Facilities Lease	RPTTF	\$32,000
1	27	Carrying Costs - Agency Property	RPTTF	\$1,944
1	28	Carrying Costs - Agency Property	RPTTF	\$15,000
1	30	Project Area Administration	RPTTF	\$1,247,855
1	31	Vested Employee Benefit Obligation	RPTTF	\$332,195
2	21	Trustee Services	RPTTF	\$7,974
2	22	Disclosure Services	RPTTF	\$6,602
2	23	Legal Services	RPTTF	\$44,268
2	24	Legal Services	RPTTF	\$3,715
2	25	Professional Association	RPTTF	\$14,498
2	26	Auditing Services	RPTTF	\$6,089
2	30	Project Area Administration	RPTTF	\$388,676
2	31	Vested Employee Benefit Obligation	RPTTF	\$103,470
2	43	Reporting Services	RPTTF	\$2,416
2	44	Liability Insurance	RPTTF	\$6,645
2	47	Banking Services	RPTTF	\$546
3	11	Project Area Administration	RPTTF	\$102,283
3	12	Vested Employee Benefit Obligation	RPTTF	\$27,229
3	18	Trustee Services	RPTTF	\$4,216
3	19	Disclosure Services	RPTTF	\$3,491
3	20	Legal Services	RPTTF	\$23,408
3	21	Legal Services	RPTTF	\$1,965
3	22	Professional Association	RPTTF	\$7,666
3	23	Auditing Services	RPTTF	\$3,094
3	24	Reporting Services	RPTTF	\$2,455
3	27	Liability Insurance	RPTTF	\$3,514
3	28	Banking Services	RPTTF	\$300
4	8	Trustee Services	RPTTF	\$100
4	9	Disclosure Services	RPTTF	\$83

Project Area	Line item	Description	Payment Source	Amount
4	10	Legal Services	RPTTF	\$557
4	11	Legal Services	RPTTF	\$47
4	12	Professional Association	RPTTF	\$175
4	13	Auditing Services	RPTTF	\$74
4	14	Reporting Services	RPTTF	\$29
4	15	Liability Insurance	RPTTF	\$84
4	16	Banking Services	RPTTF	\$7
4	19	Project Area Administration	RPTTF	\$306,849
4	20	Vested Employee Benefit Obligation	RPTTF	\$68,073
			Total	\$2,786,278
			Less Admin Allowance	\$2,077,566
			Total Disallowed Administrative Costs	\$708,712

ATTACHMENT B

**ADMINISTRATIVE COST CALCULATION
July – December 2012**

Project Area	Line item	Project Name/Debt Obligation	Payment Source	Amount
1	1	2002 Tax Allocation Refunding Bond Issue - \$22M	RPTTF	\$1,114,665
1	2	2003 Tax Allocation Bond Issue - \$19,000,000	RPTTF	\$950,000
1	3	2004 Tax Allocation Bond Issue - \$24,945,000	RPTTF	\$1,983,963
1	4	2006 Tax Allocation Bond Issue - \$62,320,000	RPTTF	\$5,168,269
1	5	2007 Tax Allocation Bond Issue - \$32,600,000	RPTTF	\$3,895,000
1	7	2002 Housing Tax Allocation Bond Issue - \$12M	RPTTF	\$763,349
1	8	2007 Housing Tax Allocation Bond Issue - \$87M	RPTTF	\$8,318,038
1	9	Indian Springs Stipulated Agreement	RPTTF	\$69,834
1	10	L/M Housing Fund Loan	RPTTF	\$1,304,766
1	25*	Pass-thru trust account obligations	RPTTF	\$8,667,301
1	26	Energy Independence Program	RPTTF	\$7,200
1	32	Stipulated Judgement Case No. 51124	RPTTF	\$2,833,633
1	33	Replacement Reserve Fund	RPTTF	\$1,916,402
1	39	PDHA Property Management	RPTTF	\$123,708
1	40	PDHA Properties	RPTTF	\$3,228
1	41	PDHA Properties	RPTTF	\$5,604
1	42	PDHA Property Maintenance	RPTTF	\$44,536
1	43	Agency Owned Properties	RPTTF	\$25,000
1	44	Additional Disclosures on TAB's	RPTTF	\$1,400
1	51	NSP Rehabilitation	RPTTF/Other	\$8,058
1	52	Santa Rosa Apartments	RPTTF/Other	\$15,000
2	1	2002 Tax Allocation Refunding Bond Issue - \$17M	RPTTF	\$1,304,763
2	2	2003 Tax Allocation Bond Issue - \$15M	RPTTF	\$769,006
2	3	2006 Tax Allocation Bond Issue - \$67M	RPTTF	\$3,907,988
2	5*	North Sphere Hotel land	RPTTF	\$90,000
2	6*	North Sphere Property Acquisition	RPTTF	\$68,750
2	7*	City Loan formation of Project Area No. 2-1986	RPTTF	\$25,688
2	8	L/M Housing Loan	RPTTF	\$469,451
3	26	Additional Disclosures on TAB's	RPTTF	\$400
2	32	Stipulated Judgement Case No. 51124	RPTTF	\$882,607
2	33	PDHA Property Management	RPTTF	\$12,366
2	34	PDHA Properties	RPTTF	\$323
2	35	PDHA Properties	RPTTF	\$560
2	36	Replacement Reserve Fund	RPTTF	\$357,281
2	45*	Pass-Thru Trust Account Obligations	RPTTF	\$250,169
2	46	Additional Disclosures on TAB's	RPTTF	\$600

Project Area	Line item	Project Name/Debt Obligation	Payment Source	Amount
3	1	2003 Tax Allocation Bond Issue - \$4,745,000	RPTTF	\$297,265
3	2	2006 Tax Allocation Bond Issue - \$15,029,526	RPTTF	\$793,875
3	3	L/M Housing Loan	RPTTF	\$121,289
3	13	Stipulated Judgement Case No. 51124	RPTTF	\$232,265
3	14	Replacement Reserve Fund	RPTTF	\$71,470
3	15	PDHA Property Management	RPTTF	\$12,381
3	16	PDHA Properties	RPTTF	\$323
3	17	PDHA Properties	RPTTF	\$600
3	25*	Pass-Thru Trust Account Obligations	RPTTF	\$532,295
3	26	Additional Disclosures on TAB's	RPTTF	\$400
4	1	1998 \$11,020,000 Tax Allocation Bond Issue	RPTTF	\$554,240
4	2	2001 \$15,695,000 Tax Allocation Bond Issue	RPTTF	\$959,805
4	3	2006 \$19,273,089 Tax Allocation Bond Issue	RPTTF	\$1,307,876
4	4	L/M Housing Fund Loan	RPTTF	\$332,155
4	21	Stipulated Judgement Case No. 51124	RPTTF	\$696,795
4	23	PDHA Property Management	RPTTF	\$12,366
4	24	PDHA Property Management	RPTTF	\$323
4	25	PDHA Property Management	RPTTF	\$560
4	26	Additional Disclosures on TAB's	RPTTF	\$600
4	27*	Pass-Thru Trust Account Obligations	RPTTF	\$2,990,664
4	30	NSP Rehabilitation	RPTTF/Other	\$13,552
			Subtotal:	\$54,290,000
		Less Amount Disallowed (see line items with asterisk above)		\$12,624,867
		Total RPTTF Claimed		\$41,665,133
		Admin Allowance (Greater of 3% or \$250,000)		\$1,249,954

**Line Items Considered Administrative Costs
July - December 2012 ROPS**

Project Area	Line item	Description	Payment Source	Amount
1	15	Trustee Services	RPTTF	\$1,419
1	16	Disclosure Services	RPTTF	\$1,176
1	17	Legal Services	RPTTF	\$7,878
1	18	Legal Services	RPTTF	\$660
1	19	Professional Association	RPTTF	\$2,580
1	20	Auditing Services	RPTTF	\$2,167
1	21	Reporting Services	RPTTF	\$430
1	22	Banking Services	RPTTF	\$102
1	23	Liability Insurance	RPTTF	\$1,158
1	24	Facilities Lease	RPTTF	\$31,998
1	27	Carrying Costs - Agency Property	RPTTF	\$1,944
1	28	Carrying Costs - Agency Property	RPTTF	\$11,224
1	30	Project Area Administration	RPTTF	\$660,816
1	31	Vested Employee Benefit Obligation	RPTTF	\$352,053
2	21	Trustee Services	RPTTF	\$7,812
2	22	Disclosure Services	RPTTF	\$6,468
2	23	Legal Services	RPTTF	\$43,386
2	24	Legal Services	RPTTF	\$3,642
2	25	Professional Association	RPTTF	\$14,208
2	26	Auditing Services	RPTTF	\$5,968
2	30	Project Area Administration	RPTTF	\$205,828
2	31	Vested Employee Benefit Obligation	RPTTF	\$109,656
2	43	Reporting Services	RPTTF	\$2,368
2	44	Liability Insurance	RPTTF	\$6,384
2	47	Banking Services	RPTTF	\$558
3	11	Project Area Administration	RPTTF	\$54,165
3	12	Vested Employee Benefit Obligation	RPTTF	\$28,857
3	18	Trustee Services	RPTTF	\$4,134
3	19	Disclosure Services	RPTTF	\$3,420
3	20	Legal Services	RPTTF	\$22,938
3	21	Legal Services	RPTTF	\$1,926
3	22	Professional Association	RPTTF	\$7,513
3	23	Auditing Services	RPTTF	\$3,156
3	24	Reporting Services	RPTTF	\$1,252
3	27	Liability Insurance	RPTTF	\$3,378
3	28	Banking Services	RPTTF	\$294
4	8	Trustee Services	RPTTF	\$96
4	9	Disclosure Services	RPTTF	\$84

Project Area	Line item	Description	Payment Source	Amount
4	10	Legal Services	RPTTF	\$546
4	11	Legal Services	RPTTF	\$48
4	12	Professional Association	RPTTF	\$179
4	13	Auditing Services	RPTTF	\$150
4	14	Reporting Services	RPTTF	\$30
4	15	Liability Insurance	RPTTF	\$13
4	16	Banking Services	RPTTF	\$8
4	19	Project Area Administration	RPTTF	\$162,496
4	20	Vested Employee Benefit Obligation	RPTTF	\$86,570
			Total	\$1,863,136
			Less Admin Allowance	\$1,249,954
			Total Disallowed Administrative Costs	\$613,182