



Transmitted via e-mail

March 28, 2025

Veronica Chavez, Director of Finance
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260

2025-26 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Palm Desert Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2025 through June 30, 2026 (ROPS 25-26) to the California Department of Finance (Finance) on February 4, 2025. Finance has completed its review of the ROPS 25-26.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 9 – Indian Springs Stimulated Agreement (Agreement) between the Agency, the City of Palm Desert (City), and IS Palm Desert, LP in the amount of \$139,673 is not allowed. Under the Agreement, the Agency is required to finance loans if and when certain loan application requirements are met and the City is required to make monthly payments to IS Palm Desert, LP. It is our understanding that the requested funds are related to the monthly payments owed by the City and, thus, not an obligation of the Agency. Therefore, \$139,673 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 43 – Agency Owned Properties in the amount of \$80,000 is partially allowed. It is our understanding that \$5,000 was requested for maintenance of the Entrada Del Paseo Lot, a property no longer owned by the Agency. In addition, the Agency requests \$24,000 for the purchase and installation of a new wind fence. HSC section 34177 (e) requires agencies to dispose of properties expeditiously and in an “as is” condition. Therefore, the requested property maintenance costs of \$29,000 (\$5,000 + \$24,000) are not allowed.

Additionally, the Agency requests duplicate funding in both the July 1, 2025 through December 31, 2025 (ROPS A) period and the January 1, 2026 through June 30, 2026 (ROPS B) period. HSC 34177 (l) (3) states that the ROPS shall be forward-looking to the next one year. Therefore, the duplicative funding amount of \$25,500 in the ROPS B period is not needed.

In total, Finance adjusts the requested amounts of \$80,000 by \$54,500 (\$29,000 + \$25,500), approving \$25,500 for the ROPS A period.

- Item No. 190 – Costs Associated with Disposition of Assets in the amount of \$30,500 is partially allowed. The Agency requests duplicate funding in both the ROPS A and ROPS B periods. HSC 34177 (l) (3) states that the ROPS shall be forward-looking to the next one year. Therefore, the duplicative funding amount of \$15,250 in the ROPS B period is not allowed.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2022 through June 30, 2023 (ROPS 22-23) period. The ROPS 22-23 prior period adjustment (PPA) will offset the ROPS 25-26 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$20,429,014, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the ROPS A period, and one distribution for the ROPS B period, based on Finance's approved amounts. Since this determination is for the entire ROPS 25-26 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the adjusted item, Finance approves the remaining items listed on the ROPS 25-26 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 25-26, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days from the date of this letter. The Agency must use the RAD App to complete and submit its Meet and Confer request form. The Meet and Confer process and guidelines are available on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 25-26. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 25-26 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 25-26 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted 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 (i). Finance's 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to RedevelopmentAdministration@dof.ca.gov.

Sincerely,

Original signed by:

Cheryl L. McCormick, CPA
Chief, Office of State Audits and Evaluations

cc: Sarah Sullivan, Accountant, City of Palm Desert
Jennifer Baechel, Deputy Auditor-Controller, Riverside County
Veronica Clark, Countywide Oversight Board Representative

Attachment

Approved RPTTF Distribution July 2025 through June 2026			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 9,359,581	\$ 10,773,917	\$ 20,133,498
Administrative RPTTF Requested	254,976	315,684	570,660
Total RPTTF Requested	9,614,557	11,089,601	20,704,158
RPTTF Requested	9,359,581	10,773,917	20,133,498
<u>Adjustment(s)</u>			
Item No. 9	(69,837)	(69,836)	(139,673)
Item No. 43	(14,500)	(40,000)	(54,500)
Item No. 190	0	(15,250)	(15,250)
	(84,337)	(125,086)	(209,423)
RPTTF Authorized	9,275,244	10,648,831	19,924,075
Administrative RPTTF Authorized	254,976	315,684	570,660
ROPS 22-23 Prior Period Adjustment (PPA)	(65,721)	0	(65,721)
Total RPTTF Approved for Distribution	\$ 9,464,499	\$ 10,964,515	\$ 20,429,014