



Transmitted via e-mail

March 30, 2023

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

2023-24 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, 2023 through June 30, 2024 (ROPS 23-24) to the California Department of Finance (Finance) on January 23, 2023. Finance has completed its review of the ROPS 23-24.

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

- Item No. 43 – Agency Owned Properties maintenance costs in the amount of \$135,000 is partially allowed. The Agency provided documentation supporting maintenance costs for properties held for sale pursuant to the Agency's Long-Range Property Management Plan (LRPMP). However, the Entrada Del Paseo Lot and 132 Acre properties have been sold. The Agency is no longer responsible for maintenance costs at these locations and the requested amount of \$50,000 is not allowed. Therefore, Finance is decreasing the requested Redevelopment Property Tax Trust Fund (RPTTF) amount by \$50,000 from \$135,000 to \$85,000.
- Item No. 189 – Project Area Administration in the total requested amount of \$809,787. Of the requested amount, \$355,487 was requested from Other Funds. Of the \$355,487 in Other Funds requested, the Agency requested \$202,267 in error. Finance determined the \$202,267 in Other Funds is not available, as these funds are already captured in the prior period adjustment process. To ensure the Agency has adequate funding, Finance is reclassifying \$202,267 from Other Funds to Administrative RPTTF funding.
- Item No. 195 – 2017 HB Tax Allocation Refunding Bond Issue in the amount of \$3,190,425 has been reclassified from RPTTF to Bond Proceeds. The Agency has cash in its bond reserve account in the amount of \$3,190,425 which must be used to satisfy the final debt service payment. Therefore, with the Agency's concurrence, \$3,190,425 has been reclassified from RPTTF to Bond Proceeds.

- The claimed administrative costs exceed the allowance by \$17,252. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$792,535 for fiscal year 2023-24. Although \$809,787 is claimed for ACA, only \$792,535 is available pursuant to the cap. Therefore, as noted in the table below, \$17,252 in excess ACA is not allowed:

| Administrative Cost Allowance (ACA) Calculation | |
|--|----------------------|
| Actual RPTTF distributed for fiscal year 2022-23 | \$ 27,706,681 |
| Less distributed Administrative RPTTF | (788,851) |
| RPTTF distributed for 2022-23 after adjustments | \$ 26,417,830 |
| | |
| ACA Cap for 2023-24 per HSC section 34171 (b) | \$ 792,535 |
| ACA requested for 2023-24 | 809,787 |
| ACA in Excess of the Cap | (\$ 17,252) |

Finance further notes the Oversight Board (OB) has 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, 2020 through June 30, 2021 (ROPS 20-21) period. The ROPS 20-21 prior period adjustment (PPA) will offset the ROPS 23-24 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 \$20,539,773, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2023 through December 31, 2023 period (ROPS A period), and one distribution for the January 1, 2024 through June 30, 2024 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 23-24 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 items, Finance approves the remaining items listed on the ROPS 23-24 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 23-24, 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 23-24. 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 23-24 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 23-24 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 Joshua Mortimer, Supervisor, or Mayra Cavazos, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Liberty Urban, Accounting Manager, City of Palm Desert
Imelda Delos Santos, Principal Management Analyst/Countywide Oversight
Board Representative, Riverside County

| Approved RPTTF Distribution July 2023 through June 2024 | | | |
|--|---------------------|----------------------|----------------------|
| | ROPS A | ROPS B | Total |
| RPTTF Requested | \$ 12,957,975 | \$ 10,385,175 | \$ 23,343,150 |
| Administrative RPTTF Requested | 40,762 | 413,538 | 454,300 |
| Total RPTTF Requested | 12,998,737 | 10,798,713 | 23,797,450 |
| RPTTF Requested | 12,957,975 | 10,385,175 | 23,343,150 |
| <u>Adjustment(s)</u> | | | |
| Item No. 43 | 0 | (50,000) | (50,000) |
| Item No. 195 | (3,190,425) | 0 | (3,190,425) |
| | (3,190,425) | (50,000) | (3,240,425) |
| RPTTF Authorized | 9,767,550 | 10,335,175 | 20,102,725 |
| Administrative RPTTF Requested | 40,762 | 413,538 | 454,300 |
| <u>Adjustment(s)</u> | | | |
| Item No. 189 | 202,267 | 0 | 202,267 |
| Adjusted Administrative RPTTF | 243,029 | 413,538 | 656,567 |
| Excess Administrative Costs | (0) | (17,252) | (17,252) |
| Administrative RPTTF Authorized | 243,029 | 396,286 | 639,315 |
| ROPS 20-21 Prior Period Adjustment (PPA) | (202,267) | 0 | (202,267) |
| Total RPTTF Approved for Distribution | \$ 9,808,312 | \$ 10,731,461 | \$ 20,539,773 |