

May 17, 2019

Ms. Veronica Tapia, Management Analyst II
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260

Dear Ms. Tapia:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Palm Desert Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 17, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 22, 2019.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed:

- Item Nos. 59, 60, 61, 177, 178, and 179 – Various loans between the former Palm Desert Redevelopment Agency (RDA) and the City of Palm Desert (City) in the total combined outstanding amount of \$28,432,025. Finance no longer denies Item Nos. 59, 60, 177, 178, and 179. However, Finance continues to deny Item No. 61 in the total outstanding balance of \$7,530,000 as follows:

The Agency provided resolutions for the loan issued in 1986 from both the City and the former RDA documenting the amount appropriated to the Redevelopment Revolving Fund (Fund). However, the accounting records already provided did not demonstrate there was an actual transfer of money from the City to the RDA for the 1986 loan, nor did the Agency provide new supporting documentation.

HSC section 34171 (d) (1) (B) defines loans as loans of moneys borrowed by the redevelopment agency for a lawful purpose, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms. Further, a loan agreement is defined under HSC section 34191.4 (b) (2) (A) as loans of money entered into between the former redevelopment agency and the city that created the former redevelopment agency in which the city transferred money to the former redevelopment agency for use by the former redevelopment agency for a lawful purpose, and where the former redevelopment agency was obligated to repay the money it received pursuant to a required repayment schedule.

Therefore, the 1986 loan remains ineligible for payment and the requested Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed as summarized in the table below:

ROPS Item No.	Year	Principal Loan Amount	HSC Requirements		RPTTF Not Allowed
			Loan Terms	Transfers of Money	
61	1986	\$6,000,000	Yes	No	\$7,085,598

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- The claimed administrative costs exceed the allowance by \$202. 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 \$941,654 for fiscal year 2019-20. Although \$941,856 in Other Funds is claimed for ACA, only \$941,654 is available pursuant to the cap. Therefore, as noted in the table below, \$202 in excess ACA requested from Other Funds is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$ 32,356,416
Less distributed Administrative RPTTF	(967,937)
RPTTF distributed for 2018-19 after adjustments	31,388,479
ACA Cap for 2019-20 per HSC section 34171 (b)	941,654
ACA requested for 2019-20	941,856
ACA in Excess of the Cap	\$ (202)

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$27,424 in Other Funds available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 9 – Indian Springs Stipulated Agreement in the amount of \$139,674 is partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$112,250 and the use of Other Funds in the amount of \$27,424, totaling \$139,674.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$27,558,741 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20

period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 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 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied 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 RPTTF is the same as the amount of property tax increment available prior to the enactment of 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 RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Chikako Takagi-Galamba, Manager, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Janet Moore, Director of Housing, City of Palm Desert
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 18,369,162	\$ 16,446,142	\$ 34,815,304
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	18,369,162	16,446,142	34,815,304
RPTTF Requested	18,369,162	16,446,142	34,815,304
<u>Adjustments</u>			
Item No. 9	(27,424)	0	(27,424)
Item No. 61	(3,542,799)	(3,542,799)	(7,085,598)
	(3,570,223)	(3,542,799)	(7,113,022)
RPTTF Authorized	14,798,939	12,903,343	27,702,282
Administrative RPTTF Authorized**	0	0	0
Total RPTTF Authorized for Obligations	14,798,939	12,903,343	27,702,282
Prior Period Adjustment	(143,541)	0	(143,541)
Total RPTTF Approved for Distribution	\$ 14,655,398	\$ 12,903,343	\$ 27,558,741

** Administrative costs of \$941,654 in Other Funds are authorized for ROPS 19-20.