



Transmitted via e-mail

April 13, 2022

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

2022-23 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, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 21, 2022. Finance has completed its review of the ROPS 22-23.

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 property, located at 72656 Highway 111, has been sold. The Agency is no longer responsible for maintenance costs at this location and the requested amount of \$5,000 is not allowed. Therefore, Finance made an adjustment in the amount of \$5,000 to decrease requested Redevelopment Property Tax Trust Fund (RPTTF) funding from \$6,429 to \$1,429. Therefore, Finance is approving RPTTF in the amount of \$1,429 and Other Funds in the amount of \$128,571, totaling \$130,000.
- On the ROPS 22-23 form, the Agency reported cash balances and activity for the period July 1, 2019 through June 30, 2020 (ROPS 19-20). According to our review, the Agency has approximately \$482,492 from Other Funds available to fund enforceable obligations on the ROPS 22-23. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funding. This item does not require payment from property tax revenues; therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 56 – 2003 Tax Allocation Bond in the amount of \$1,644,007 is partially reclassified. Finance is approving RPTTF in the amount of \$1,161,515 and the use of Other Funds in the amount of \$482,492, totaling \$1,644,007.

- The claimed administrative costs exceed the allowance by \$3,618. 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 \$788,851 for fiscal year 2022-23. Although \$792,469 is claimed for ACA, only \$788,851 is available pursuant to the cap. Therefore, as noted in the table below, \$3,618 in excess ACA is not allowed:

Administrative Cost Allowance (ACA) Calculation	
Actual RPTTF distributed for fiscal year 2021-22	\$ 33,713,895
Less distributed Administrative RPTTF	(506,168)
Less sponsoring entity loan repayments	(6,912,703)
RPTTF distributed for 2021-22 after adjustments	\$ 26,295,024
ACA Cap for 2022-23 per HSC section 34171 (b)	\$ 788,851
ACA requested for 2022-23	792,469
ACA in Excess of the Cap	(\$ 3,618)

In addition, Finance 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 ROPS 19-20 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (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 \$27,206,681, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 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 22-23 at this time. If the Agency disagrees with our determination with respect to any items on the ROPS 22-23, 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 Meet and Confer process and guidelines are available on our website:

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

The Agency must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 22-23. 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 22-23 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 22-23 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: Janet Moore, Director of Finance, City of Palm Desert
Jennifer Baechel, Property Tax Chief, Riverside County

Approved RPTTF Distribution July 2022 through June 2023			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 13,208,311	\$ 13,784,593	\$ 26,992,904
Administrative RPTTF Requested	392,620	399,849	792,469
Total RPTTF Requested	13,600,931	14,184,442	27,785,373
RPTTF Requested	13,208,311	13,784,593	26,992,904
<u>Adjustment(s)</u>			
Item No. 43	0	(5,000)	(5,000)
Item No. 56	0	(482,492)	(482,492)
	0	(487,492)	(487,492)
RPTTF Authorized	13,208,311	13,297,101	26,505,412
Administrative RPTTF Requested	392,620	399,849	792,469
Excess Administrative Costs	(0)	(3,618)	(3,618)
Administrative RPTTF Authorized	392,620	396,231	788,851
ROPS 19-20 prior period adjustment (PPA)	(87,582)	0	(87,582)
Total RPTTF Approved for Distribution	\$ 13,513,349	\$ 13,693,332	\$ 27,206,681