DEPARTMENT OF FINANCE

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April 13, 2013

Mr. Isaiah Hagerman, Finance Director
City of Rancho Mirage
69825 Highway 111
Rancho Mirage, CA 92270

Dear Mr. Hagerman:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Rancho Mirage Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 16 through 20 – Various Housing Authority property improvement projects funded with $735,000 in bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded. Pursuant to HSC section 34191.4 (c), Agency's request to use bond funds for these obligations may be allowable once the Agency receives a Finding of Completion from Finance.

- Item Nos. 26 and 27 – Supplemental Educational Revenue Augmentation Fund (SERAF) loan repayment in the amount of $2,268,009. HSC section 34176 (e) (6) (B) states that loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A falls within fiscal year 2013-14, the repayment of these SERAF loans is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A) which equals to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time. The agency will be able to request funding beginning with ROPS 14-15A period.

- Administrative costs claimed for RPTTF exceed the allowance by $15,310. HSC section 34171(b) limits administrative expenses to three percent of property tax allocated to the

successor agency or $250,000, whichever is greater. Three percent of the property tax allocated is $197,979. Therefore, the claimed $265,310 in administrative costs exceeds the limit by $15,310 which is not eligible for funding.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $6,818,316 as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	8,867,311
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 26 - SERAF Loan Reapayment		1,966,188
Item 27 - SERAF Loan Reapayment		301,821
Total approved RPTTF for enforceable obligations	$	6,599,302
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		250,000
Minus: ROPS II prior period adjustment		(30,986)
Total RPTTF approved for distribution:	**$**	**6,818,316**

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Curt Watts, Director of Development Services, City of Riverside
Ms. Pam Elias, Chief Accountant Property Tax Division, County of Riverside
California State Controller's Office