



April 7, 2017

Ms. Tami Scott, Administrative Services Director
Cathedral City
68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234

Dear Ms. Scott:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Cathedral City Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to the California Department of Finance (Finance) on January 26, 2017. Finance has completed its review of the ROPS 17-18.

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

- Item No. 17 – Unfunded Other Postemployment Benefits in the total outstanding amount of \$1,389,623 is not allowed. It is our understanding the agreement is between Cathedral City and the California Public Employees' Retirement System, and the former Redevelopment Agency is not a party. Therefore, this item is not an enforceable obligation and the requested amount of \$55,882 in Redevelopment Property Tax Trust Fund (RPTTF) funding is not allowed.
- Item No. 84 – Southside sewer assessments in the total outstanding amount of \$1,758,059 is not allowed. The 44 properties impacted by the sewer tax assessments were approved for transfer to the Housing Successor during Finance's review of the Agency's Housing Asset Transfer form. As such, liability associated with these properties is no longer the Agency's obligation. Therefore, this item is not an enforceable obligation and the requested amount of \$87,849 in RPTTF funding is not allowed.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other 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 required to successfully wind-down the Agency.

- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF:
 - Item No. 91 – Reserve for future bond payments in the amount of \$2,100,000 is partially reclassified from RPTTF to Other Funds. This item is an enforceable obligation for the ROPS 17-18 period. However, the Agency has \$71,011 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$2,028,989 and the use of \$71,011 in Other Funds funding totaling \$2,100,000 for the ROPS 17-18 period.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18. If the Agency disagrees with Finance's determination with respect to any items on the ROPS 17-18, except items which are the subject of litigation disputing Finance's previous or related determinations, the Agency 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 on Finance's website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$14,592,537 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

Absent a Meet and Confer, this is Finance's determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

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

Finance's determination is effective for the ROPS 17-18 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 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 Cindie Lor, Supervisor, or Steven Huckabay, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Kevin Biersack, Accounting Services Manager, Cathedral City
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 8,184,750	\$ 6,176,840	\$ 14,361,590
Administrative RPTTF Requested	223,344	222,345	445,689
Total RPTTF Requested	8,408,094	6,399,185	14,807,279
RPTTF Requested	8,184,750	6,176,840	14,361,590
<u>Adjustments</u>			
Item No. 17	(27,596)	(28,286)	(55,882)
Item No. 84	(87,849)	0	(87,849)
Item No. 91	0	(71,011)	(71,011)
	(115,445)	(99,297)	(214,742)
RPTTF Authorized	8,069,305	6,077,543	14,146,848
Administrative RPTTF Authorized	223,344	222,345	445,689
Total RPTTF Approved for Distribution	\$ 8,292,649	\$ 6,299,888	\$ 14,592,537