



April 12, 2018

Mr. Frank Luckino, City Manager
City of Twentynine Palms
6136 Adobe Road
Twentynine Palms, CA 92277

Dear Mr. Luckino:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Twentynine Palms Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 31, 2018. Finance has completed its review of the ROPS 18-19.

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

- Item No. 4 – Successor Agency Administrative Budget in the total requested amount of \$212,500 is reclassified. It is our understanding the Agency inadvertently requested funding for Administration from the wrong funding source. Therefore, Finance reclassified \$212,500 from Redevelopment Property Tax Trust Fund (RPTTF) to Administrative RPTTF.

Further, 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.

- Item No. 10 – Bank Trustee Fees in the total requested amount of \$5,150 is partially allowed. The \$4,400 in trustee fees is allowed; however, the \$750 (\$5,150 - \$4,400) depository fee is not allowed. The depository fee pertains to the bank account for the 2011 bond proceeds that was transferred to the City of Twentynine Palms (City). As a result, the City is responsible for this fee. Therefore, the \$4,400 in trustee fees is allowed and the \$750 depository fee is ineligible for RPTTF funding.

- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$16,369 in Other Funds and \$62,958 in RPTTF unexpended from the ROPS 15-16 period, totaling \$79,327, available to fund enforceable obligations on the ROPS 18-19. The unexpended RPTTF funds are considered Reserve Balances. HSC section 234177 ((l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding sources for the following item have been reclassified in the amounts specified below:
 - Item No. 4 – Successor Agency Administrative Budget in the amount of \$212,500 has been reclassified from RPTTF to Administrative RPTTF. This item does not require payment from RPTTF. Therefore, Finance is approving Administrative RPTTF in the amount of \$133,173, Other Funds in the amount of \$16,369, and Reserve Balances in the amount of \$62,958, totaling \$212,500.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,037,978 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. 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 deemed denied until the matter is resolved.

The ROPS 18-19 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 18-19 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.

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The amount available from the 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 the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Barr, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Mr. Jim Hamilton, Interim Community Development Director, City of Twentynine Palms
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 576,023	\$ 542,032	\$ 1,118,055
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	576,023	542,032	1,118,055
RPTTF Requested	576,023	542,032	1,118,055
<u>Adjustment</u>			
Item No. 4	(100,000)	(112,500)	(212,500)
Item No. 10	(375)	(375)	(750)
RPTTF Authorized	475,648	429,157	904,805
Administrative RPTTF Requested	0	0	0
<u>Adjustment</u>			
Item No. 4*	20,673	112,500	133,173
Administrative RPTTF Authorized	20,673	112,500	133,173
Total RPTTF Approved for Distribution	\$ 496,321	\$ 541,657	\$ 1,037,978

*The figure indicates the net adjustment of \$133,173 (\$212,500 - \$79,327).