



December 17, 2013

Ms. Elena Bolbolian, Principal Administrative Officer
City of Glendale
633 East Broadway, Suite 201
Glendale, CA 91206

Dear Ms. Bolbolian:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 1, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on December 3, 2013.

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 items being disputed.

- Item No. 4 – 2011A Tax Allocation Bond debt service payment in the amount of \$1,478,177. Finance no longer adjusts this item. Initially, the Agency requested to adjust the debt service amount on the ROPS. However, during the Meet and Confer, the Agency provided additional documentation that the Agency had successfully refunded the 2002 and 2003 bonds in November 2013 (Items 1 and 2, respectively). Therefore, the amount requested for debt service payments for all of the Agency's bonds will be reduced during the ROPS 13-14B period. Therefore, the Agency requested to reallocate approved Redevelopment Property Tax Trust Fund (RPTTF) for Items 1 and 2 in the amount of \$1,283,289 (\$624,681 + \$658,608) to Item 4 due to the larger debt service payments in the July through December 2014 ROPS (ROPS 14-15A) period. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. As such, Items 1 and 2 will be adjusted to \$0 and Item 4 will be increased from \$1,478,177 to \$2,761,466 (\$1,478,177 + \$1,283,289).

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$1,283,289 requested to be held in reserve should be transferred upon receipt to the

bond trustee(s) along with the amounts approved for the other ROPS 13-14B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these items again in the ROPS 14-15A period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 13-14B period and the reserve amounts requested in ROPS 13-14B for the ROPS 14-15A debt service payments.

- Prior Period Adjustment in the amount of \$1,448,721. Finance approves the adjustment to the Prior Period Adjustment (PPA) to \$816,930 (\$1,448,721 - \$631,791). During the Meet and Confer, the Agency provided additional documentation that identified the PPA adjustment amount was incorrect. In our review, we discovered that the Los Angeles County Auditor Controller (CAC) had issued their PPA report to Finance prior to the issuance of Finance's November 15, 2013 ROPS Letter. After the issuance of Finance's letter, the Agency provided additional supporting documentation to the CAC to substantiate the expenditure of \$631,790 during the ROPS III Period. The CAC accepted the additional documentation and issued a new PPA amount of \$816,930. Therefore, Finance accepts the new PPA amount of \$816,930.

In addition, per Finance's letter dated November 15, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 110 – City loan for project costs in the amount of \$760,000. It is our understanding the loan was for unfunded project costs of the Alex Theatre Expansion Project. The loan agreement is for \$750,000. Therefore, the excess \$10,000 is denied and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$47,765. HSC section 34171 (b) limits fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$607,735 in administrative expenses. The Los Angeles Auditor-Controller's Office did not distribute administrative costs for the July through December 2013 period, thus leaving a balance of \$607,735 available for the January through June 2014 period. Although \$648,000 is claimed for administrative cost, Item No. 51 for file storage in the amount of \$7,500 is considered an administrative expense and should be counted toward the cap. Therefore, \$47,765 of excess administrative cost is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$6,744,662 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	6,927,012
Total RPTTF requested for administrative obligations	648,000
Total RPTTF requested for obligations	\$ 7,575,012
Total RPTTF requested for non-administrative obligations	6,927,012
<u>Denied Items</u>	
Item No. 110	(10,000)
	(10,000)
<u>Adjustments to Items</u>	
Item No. 1	(624,681)
Item No. 2	(658,608)
Item No. 4	1,283,289
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<u>Reclassified Items</u>	
Item No. 51	(7,500)
Total RPTTF approved for non-administrative obligations	6,909,512
Total RPTTF requested for administrative obligations	648,000
<u>Reclassified Items</u>	
Item No. 51	7,500
Total RPTTF for administrative obligations	655,500
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	652,080
Total RPTTF approved for obligations	7,561,592
ROPS III prior period adjustment	(816,930)
Total RPTTF approved for distribution	\$ 6,744,662
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	15,576,486
Total RPTTF for 13-14B (January through June 2014)	6,909,512
Less approved unfunded obligations from prior periods	(750,000)
Total RPTTF for fiscal year 2013-14	21,735,998
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	652,080
Administrative allowance for 13-14A (July through December 2013)	0
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	652,080

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 section 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 HSC section 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 Evelyn Suess, Dispute Resolution Supervisor or Derk Symons, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Philip Lanzafame, Executive Officer of Economic Development & Asset Management, City of Glendale
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office