



May 16, 2014

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 April 9, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 26, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 9, 2014. 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 April 22, 2014.

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. 89 – Cooperation and Reimbursement Agreement in the amount of \$1,508,814. Finance no longer denies payment of this item; however, Finance continues to maintain the outstanding balance for the City of Glendale (City) loan is overstated as it includes miscalculated interest because the Agency recalculated the accumulated interest by using the Local Agency Investment Fund (LAIF) interest rate that was applicable for each quarter the loan has been outstanding. HSC section 34191.4 requires the recalculation of the accumulated interest at a rate not to exceed the interest rate earned by funds deposited in the LAIF at the time the Oversight Board finds that the loan was for legitimate redevelopment purposes and is deemed and enforceable obligation. Therefore, the Agency should recalculate the interest using the LAIF interest rate at the time the Agency's Oversight Board made the finding the loan was for legitimate redevelopment purposes and reflect the reduction to the loan's total outstanding balance in subsequent ROPS submittals.

Finance initially recalculated the total loan outstanding to be \$0 and reduced the Agency's stated outstanding loan balance by \$66,251,113. Based on additional documents provided during the Meet and Confer process, Finance verified that the outstanding principal balance prior to recalculating the interest is \$13,613,195. According to the Los Angeles County Auditor-Controller's (CAC) report, the ROPS residual pass-through amounts distributed to the taxing entities for fiscal years 2012-13

and 2013-14 were \$2,784,670 and \$5,802,298, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$1,508,814. Therefore, this item is eligible for funding on this ROPS.

- Item No. 140 – Housing Administrative cost allowance pursuant to AB 471 in the amount of \$150,000. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City is the City-formed Housing Authority (Authority), the Authority operates under the control of the City and is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of “city” includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines “city” for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City’s CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that “the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts.” Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance.

In addition, per Finance’s letter dated April 9, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Claimed administrative costs exceed the allowance by \$751,493. HSC section 34171 (b) limits fiscal year 2014-15 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 \$396,418 in administrative expenses. Although \$735,000 is claimed for administrative cost, Item Nos. 51, 104, 105 totaling \$412,911 are considered administrative expenses and should be counted toward the cap. Therefore, \$751,493 of excess administrative costs is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies

prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below 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 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$13,294,686 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	13,776,838
Total RPTTF requested for administrative obligations	735,000
Total RPTTF requested for obligations	\$ 14,511,838
Total RPTTF requested for non-administrative obligations	13,776,838
<u>Denied Item</u>	
Item No. 140	(150,000)
	(150,000)
<u>Reclassified Items</u>	
Item No. 51	(7,500)
Item No. 104	(282,780)
Item No. 105	(122,631)
	(412,911)
Total RPTTF authorized for non-administrative obligations	\$ 13,213,927
Total RPTTF requested for administrative obligations	735,000
<u>Reclassified Items</u>	
Item No. 51	7,500
Item No. 104	282,780
Item No. 105	122,631
	412,911
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(751,493)
Total RPTTF authorized for administrative obligations	\$ 396,418
Total RPTTF authorized for obligations	\$ 13,610,345
ROPS 13-14A prior period adjustment	(315,659)
Total RPTTF approved for distribution	\$ 13,294,686

Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations	13,213,927
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	396,418
Total RPTTF administrative obligations after Finance adjustments	1,147,911
Administrative costs in excess of the cap	\$ (751,493)

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. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 Mary Halterman, 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, Department of Auditor-Controller, Los Angeles County California State Controller's Office