



May 17, 2018

Ms. Cassandra Pruett, Senior Administrative Officer
City of Glendale
633 East Broadway, Suite 201
Glendale, CA 91206

Dear Ms. Pruett:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2018. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Glendale Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to Finance on January 31, 2018. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 25, 2018.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed.

- Item No. 153 – Transfer of excess 2011 non-housing tax allocation bond proceeds to the City of Glendale (City), in the total outstanding amount of \$12,105,300. Finance continues to deny this item at this time. Pursuant to HSC section 34191.4 (c), the Agency received a Finding of Completion on May 15, 2013 and may now use a portion of the proceeds from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants.

The Agency states it has excess bond proceeds derived from the 2011 Tax Allocation Bonds and submitted Oversight Board (OB) Resolution No. OSB-60, approving a Bond Expenditure Agreement (Agreement) with the City. However, Finance disallowed the OB Resolution as noted in our determination letter dated March 9, 2018. The Agreement approved the transfer of additional proceeds upon approval of the Agency's Last and Final ROPS; however, Finance has neither received nor approved the Agency's Last and Final ROPS.

In addition, the Agency incorrectly included 2011 bond reserves in its calculation when determining the amount of 2011 bond proceeds eligible for transfer to the City. Therefore, \$1,975,702 in Bond Proceeds is not approved for transfer on this ROPS. To the extent the Agency can identify the amount of bond proceeds, separate from any reserve balances, the Agency may be able to request the expenditure or transfer of those bond proceeds on a subsequent ROPS. Finance continues to note before a transfer to the City can take place, a revised Agreement must be approved by the OB and Finance.

- Item No. 154 – Transfer of excess 2011 housing tax allocation bond proceeds to the City in the amount of \$8,555,709 is now partially approved. Finance originally denied this item because it was our understanding the Agency incorrectly included 2011 bond reserves when determining the amount of 2011 housing bond proceeds eligible for transfer.

During the Meet and Confer, the Agency provided a trial balance report that separated the amounts within the housing fund from non-housing funds as support for the request of the transfer of \$8,555,709. While it now seems clear that \$7,571,243 are excess housing proceeds and can be transferred to the housing successor, the documentation does not support a conclusion that the remaining amounts in the fund are housing proceeds eligible for transfer pursuant to HSC section 34176 (g).

The Agency has explained \$953,229 of the fund is a transfer from the Redevelopment Fund of non-housing proceeds into the Housing Fund. While a letter from Agency's bond counsel concludes the Agency is authorized to use non-housing proceeds for housing projects, this transfer of funds for such use does not change these proceeds into housing proceeds.

Pursuant to HSC section 34176 (g), only proceeds derived from indebtedness obligations backed by the Low and Moderate Income Housing Fund (LMIHF) are eligible for transfer to the housing successor. Since the proceeds from the Redevelopment Fund are not secured by, and do not become secured by, the LMIHF, the \$953,229 is ineligible for transfer under HSC section 34176 (g).

Additionally, the remaining \$68,439 represents the interest earned between July 1, 2017 and February 28, 2018. However, it cannot be determined from documentation provided if the \$68,439 in current interest was earned on housing or the non-housing bond proceeds transferred from the Redevelopment Fund.

Because \$7,571,243 represents the original portion of the housing proceeds per the Indenture and interest earned on only those bond proceeds, Finance approves the transfer of this amount pursuant to HSC section 34176 (g), but denies the transfer of the additional \$1,021,668. To the extent the Agency can provide documentation to support a portion of the interest earned in the current year was earned on the bond proceeds deposited in the Housing Fund, the Agency may request the transfer of these amounts on a subsequent ROPS.

In addition, per Finance's letter dated April 10, 2018, we continue to make the following determination not contested by the Agency during the Meet and Confer:

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 \$121,479 in Redevelopment Property Tax Trust Fund (RPTTF) unexpended from the ROPS 15-16 period available to fund enforceable obligations on the ROPS 18-19. These unexpended RPTTF funds are now considered Reserve Balances. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified from RPTTF to Reserve Balances in the amount specified below:

- o Item No. 89 – Pre-Dissolution Sponsoring Entity Loan payment in the amount of \$10,039,871. This item is an enforceable obligation for the ROPS 18-19 period; however, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$9,918,392 and the use of Reserve Balances in the amount of \$121,479, for a total of \$10,039,871 for the ROPS 18-19 period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$26,648,952 as summarized in the Approved RPTTF Distribution table on Page 5 (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.

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.

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.

Ms. Cassandra Pruett
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Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Mr. Philip Lanzafame, Director of Community Development, City of Glendale
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles 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	\$ 14,708,060	\$ 11,603,519	\$ 26,311,579
Administrative RPTTF Requested	229,426	229,426	458,852
Total RPTTF Requested	14,937,486	11,832,945	26,770,431
RPTTF Requested	14,708,060	11,603,519	26,311,579
<u>Adjustment</u>			
Item No. 89	(121,479)	0	(121,479)
RPTTF Authorized	14,586,581	11,603,519	26,190,100
Administrative RPTTF Authorized	229,426	229,426	458,852
Total RPTTF Approved for Distribution	\$ 14,816,007	\$ 11,832,945	\$ 26,648,952