



April 9, 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

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 the California Department of Finance (Finance) on February 26, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item No. 89 – The total outstanding balance for the City of Glendale loan is overstated. Pursuant to HSC section 34191.4 (b) (2), the recalculation of the accumulated interest from loan origination is not to exceed the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF). The total outstanding balance for Item No. 89 includes miscalculated interest. The accumulated interest on the loan should be recalculated using the quarterly LAIF interest rate at the time when the Agency's OB made the finding the loan was for legitimate redevelopment purposes, which in this case is .28 percent. However, the Agency's loan calculation uses variable rates.

Therefore, Finance has recalculated the total loan outstanding to be \$0 and has reduced the Agency's stated outstanding loan balance by \$66,251,113. As a result of the adjusted loan balance, the loan should be considered paid in full.

- Item No. 140 – Housing Administrative cost allowance pursuant to AB 471 in the amount of \$150,000. Pursuant to HSC section 34177(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 elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Glendale (City) is the City-formed Housing Authority (Authority), the Authority operates under the control of the City. Therefore, \$150,000 of housing entity administrative allowance is not allowed.

- Claimed administrative costs exceed the allowance by \$796,758. 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 \$351,153 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, \$796,758 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 county auditor-controller (CAC) and the State Controller. The amount of 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. If you disagree with the determination with respect to any items on your ROPS 14-15A, you 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 at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$11,740,607 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. 89	(1,508,814)
Item No. 140	(150,000)
	<u>(1,658,814)</u>
<u>Reclassified Items</u>	
Item No. 51	(7,500)
Item No. 104	(282,780)
Item No. 105	(122,631)
	<u>(412,911)</u>
Total RPTTF authorized for non-administrative obligations	\$ 11,705,113
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
	<u>412,911</u>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(796,758)
Total RPTTF authorized for administrative obligations	\$ 351,153
Total RPTTF authorized for obligations	\$ 12,056,266
ROPS 13-14A prior period adjustment	(315,659)
Total RPTTF approved for distribution	\$ 11,740,607

Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations	11,705,113
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	351,153
Total RPTTF administrative obligations after Finance adjustments	1,147,911
Administrative costs in excess of the cap	\$ (796,758)

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>

Absent a Meet and Confer, 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 Kylie Oltmann, Supervisor or Veronica Green, 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, Department of Auditor-Controller, Los Angeles County California State Controller's Office