



May 16, 2014

Ms. Jill Taura, Director of Finance/Treasurer
City of Glendora
116 East Foothill Blvd
Glendora, CA 91741

Dear Ms. Taura:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 18, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendora Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 5, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 18, 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 May 2, 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. 1 – Re-executed Designated Agreement in the amount of \$5,595,000. Finance no longer denies this item; however, pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount for fiscal year 2014-15 is \$0. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency (RDA) and sponsoring entity may be placed on the ROPS if the Agency has received a Finding of Completion and the Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 24, 2013. However, Finance initially denied a portion of this item because OB Resolution No. 2012-09 was partially denied in our letter dated April 18, 2014; OB Resolution No. 2012-09 approved the Designated Agreements between the City of Glendora (City) and the Agency as an enforceable obligation and made a finding the loans were for legitimate redevelopment purposes. Specifically, Finance initially denied the April 1, 2003 Amended and Restated Cooperation Agreement (2003 Agreement) in the amount of \$2,895,000 as the Agency was not able to provide documentation to support the amounts loaned. However, Finance approved the May 26, 2009 Loan Agreement (2009 Agreement) in the amount of \$3,000,000 as an enforceable obligation.

During the Meet and Confer process, the Agency provided accounting records starting in fiscal year 2005-06 and Consolidated Annual Financial Reports (CAFRs) starting in fiscal year 2003-04 to validate the outstanding principal balance of the 2003 Agreement. Therefore, Finance was able to substantiate the outstanding principal balances for both the 2003 and 2009 Agreements.

According to the County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal years 2012-13 and 2013-14 are \$2,368,006 and \$881,545, 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 \$0. Therefore, the \$952,812 requested is not eligible for funding on this ROPS. The Agency may be eligible for funding beginning in ROPS 15-16A.

- Item No. 25 – Housing Administrative cost allowance per AB471 in the amount of \$75,000. Finance continues to deny this item. 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 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) and the Authority operates under the control of the City, the Authority 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) (3) 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 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. Additionally, the CAFR states that the City elected to become the housing successor.

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 \$75,000 of housing entity administrative allowance.

In addition, per Finance's letter dated April 18, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 20 through 23 – Shortfalls totaling \$2,448,323 from over-distributed residual pass-through distributions made by the CAC do not meet the definition of an enforceable obligation as defined in HSC section 34171 (d). It is our understanding that pursuant to

an agreement between the CAC and the Agency, the CAC will reimburse the Agency by collecting these amounts back from the taxing entities. As such, these items are not eligible for funding on the ROPS.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

In addition, Finance noted that the Agency deleted the obligations for Item Nos. 18 through 19 and replaced it with existing or new obligations on this ROPS. Although Item Nos. 18 and 19 have been retired and were excluded from the ROPS Detail form, these item numbers remain unavailable to use, as they are assigned to the specific retired obligations indefinitely. For consistency purposes between ROPS periods, Item Nos. 18 through 19 were restored to the original format listed on the ROPS template and the new or existing obligations were assigned sequential numbers as follows:

- Item No. 18 – ROPS II Unfunded Administrative Costs
- Item No. 19 – ROPS I Unfunded Liabilities
- Item No. 20 – ROPS 13-14B RPTTF Shortfall for Approved Enforceable Obligations
- Item No. 21 – ROPS II Special Adjustment
- Item No. 22 – Unfunded obligation caused by incorrect DDR remittance for ROPS II
- Item No. 23 – Shortfall of ROPS 13-14A Disbursement to Actual Expenditures
- Item No. 24 – Sale of Property – 213 E. Rte 66
- Item No. 25 – Housing Entity Administrative Allowance per AB471

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 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 \$1,863,290 as summarized in the following table:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	5,139,425
Total RPTTF requested for administrative obligations	200,000
Total RPTTF requested for obligations	\$ 5,339,425
Total RPTTF requested for non-administrative obligations	5,139,425
<u>Denied Items</u>	
Item No. 1	(952,812)
Item Nos. 20	(443,363)
Item Nos. 21	(1,712,514)
Item Nos. 22	(251,485)
Item Nos. 23	(40,961)
	(3,401,135)
Total RPTTF authorized for non-administrative obligations	\$ 1,738,290
Total RPTTF requested for administrative obligations	200,000
<u>Denied Item</u>	
Item No. 25	(75,000)
	(75,000)
Administrative costs in excess of the cap	0
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,863,290
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 1,863,290

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: Ms. Elizabeth Stoddard, Accounting Manager, City of Glendora
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office