



April 9, 2019

Mr. David A. Klug, Redevelopment Manager
City of Pasadena
100 North Garfield Avenue, Room S116
Pasadena, CA 91103

Dear Mr. Klug:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Pasadena Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 25, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 71 through 77 – Various City ROPS Loans in the total outstanding amount of \$8,750,293 are not allowed. 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 following requirements are met: (1) the Agency has received a Finding of Completion and (2) the Agency's Oversight Board (OB) approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on December 22, 2015. However, OB Resolution No. 29, approving various Reimbursement Agreements between the City of Pasadena (City) and the former RDA in an amount totaling \$8,750,293 as enforceable obligations and finding the loans were for legitimate redevelopment purposes, was denied in our determination letter dated March 22, 2016.

The Reimbursement Agreements stated the RDA agreed to reimburse the City for any costs or expenses incurred by the City related to the City's portion of the development and construction of the Villa-Parke Community Center. HSC section 34191.4 (b) (2) defines a loan agreement as a loan of money. Since the agreements were for reimbursement and there was no actual loan of money from the City to the RDA, the Reimbursement Agreements do not constitute a loan as defined by dissolution law and is ineligible for repayment under HSC section 34191.4. Therefore, the requested amount of \$8,750,293 is ineligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 80 and 81 – Unfunded California Public Employees’ Retirement System (CalPERS) pension obligations and Unfunded Other Post-Employment Benefit Liabilities in the total outstanding amount of \$6,608,961 is not allowed. Finance continues to deny these obligations. It is our understanding the CalPERS Amendment to Contract effective September 14, 2009 is between the Board of Administration CalPERS and the City; the former RDA is not a party to the agreement. Further, the CalPERS Annual valuation Report dated June 30, 2012 is for City employees. Therefore, these items are not enforceable obligations and the requested amounts of \$6,438,722 (Item No. 80) and \$170,239 (Item No. 81) are ineligible for RPTTF funding.

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$73,945 from Other Funds available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency’s concurrence, the funding source for the following item has been reclassified in the amounts specified below:
 - Item No. 4 – Tax Allocation Bonds, Series 2006 in the amount of \$226,010 is partially reclassified from RPTTF to Other Funds. This item does not require payment from property tax revenues and the Agency has \$73,945 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$152,065 and the use of Other Funds in the amount of \$73,945, totaling \$226,010.

- The claimed administrative costs exceed the allowance by \$116,904. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency’s maximum ACA is \$133,096 for fiscal year 2019-20. Although \$250,000 is claimed for ACA, only \$133,096 is available pursuant to the cap. Therefore, as noted in the table below, \$116,904 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$ 2,377,339
Less distributed Administrative RPTTF	(250,000)
Less sponsoring entity loan repayments	(1,861,148)
RPTTF distributed for 2018-19 after adjustments	266,191
ACA Cap for 2019-20 per HSC section 34171 (b)	133,096
ACA requested for 2019-20	250,000
ACA in Excess of the Cap	\$ (116,904)

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment (PPA) resulting from the County Auditor-Controller’s review of the PPA form submitted by the Agency. Total authorized RPTTF is insufficient to allow the entire PPA to be applied this ROPS period, resulting in an excess PPA that should be applied prior to requesting RPTTF on future ROPS.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. 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 denied until the matter is resolved.

The ROPS 19-20 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 19-20 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 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 RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Stephen Franz, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Robert Ridley, Controller, City of Pasadena
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 15,518,522	\$ 13,005	\$ 15,531,527
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	15,643,522	138,005	15,781,527
RPTTF Requested	15,518,522	13,005	15,531,527
<u>Adjustments</u>			
Item No. 4	(73,945)	0	(73,945)
Item No. 71	(7,453,085)	0	(7,453,085)
Item No. 73	(104,125)	0	(104,125)
Item No. 74	(111,510)	0	(111,510)
Item No. 75	(668,480)	0	(668,480)
Item No. 76	(245,313)	0	(245,313)
Item No. 77	(110,043)	0	(110,043)
Item No. 80	(6,438,722)	0	(6,438,722)
Item No. 81	(170,239)	0	(170,239)
	<u>(15,375,462)</u>	<u>0</u>	<u>(15,375,462)</u>
RPTTF Authorized	143,060	13,005	156,065
Administrative RPTTF Requested	125,000	125,000	250,000
Excess Administrative Costs	0	(116,904)	(116,904)
Administrative RPTTF Authorized	125,000	8,096	133,096
Total RPTTF Authorized for Obligations	268,060	21,101	289,161
Prior Period Adjustment	(268,060)	(22,266)	(290,326)
Excess Prior Period Adjustment		1,165	1,165
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0