



April 3, 2019

Mr. Conal McNamara, Director of Community Development
City of Whittier
13230 Penn Street
Whittier, CA 90602

Dear Mr. McNamara:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Whittier 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 21, 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. 6 and 78 – Property Maintenance costs in the amount of \$44,745 are partially allowed. Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on December 17, 2015, and contracts and agreements necessary to maintain assets prior to disposition are allowable. The Agency provided vendor invoices for property maintenance costs and an explanation that the requested amount includes anticipated costs of \$22,800 and incurred excess costs from prior fiscal years of \$21,945. However, these documents are insufficient to support the requested amount because the excess costs incurred were not related to Agency-owned properties. Therefore, of the requested amount of \$44,745, the excess \$21,945 requested for Item No. 78 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, it appears the Oversight Board (OB) has approved an amount for property maintenance that appears excessive, given the length of time the assets have been available for sale. HSC section 34177 (e) requires agencies to dispose of assets and properties expeditiously and in a manner aimed at maximizing value.

- Item No. 15 – Successor Administrative Cost in the requested amount of \$250,000. The Agency erroneously requested this amount in RPTTF. With Agency concurrence, this item has been reclassified to Administrative RPTTF.
- Item No. 21 – City Sales Tax Loan (Marketplace) in the amount of \$1,717,757 is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles, County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2018-2019 are zero and \$5,338,096, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 19-20 period is \$2,669,048.

However, the Agency is requesting loan repayments totaling \$2,861,160 for Item Nos. 17, 18, 19, and 21. Therefore of the \$1,717,757 requested, \$192,112 (\$2,861,250 – \$2,669,048) is not eligible for RPTTF. The Agency may be eligible for additional funding on subsequent ROPS.

- Item No. 68 – Whittwood Owner Participation Agreement in the amount of \$1,005,000 is partially allowed. The \$1,005,000 requested is the property tax increment and sales tax reimbursement estimate comprised of \$660,000 due in November 2019 and May 2020 (ROPS 19-20 period) and \$345,000 due November 2020 (ROPS 20-21 period). It is not necessary to fund this obligation beyond what is needed for the ROPS 19-20 period. Therefore, the excess \$345,000 requested to fund the November 2020 payment is ineligible for RPTTF funding on this ROPS. The Agency may request funding on the next ROPS.
- Item No. 119 – Demolition of Agency-owned property in the amount of \$75,000. Finance continues to deny this item as an enforceable obligation. The Agency contends demolition of the property is necessary due to the property's condition. It is our understanding there is no contract in place and the requirement to demolish the property is not tied to an existing enforceable obligation. Further, the cost associated with demolition is an improvement to property and is beyond routine maintenance and repairs associated with maintaining the property in the current condition. Therefore, this item is not an enforceable obligation and ineligible for RPTTF funding.
- Item Nos. 125 and 126 – Tax Allocation Refunding Bonds, Series 2015A and 2015B debt service. The Agency requested \$1,874,228 for Item No. 125 and \$836,234 for Item No. 126 from RPTTF and Reserve Balances for the July through December (ROPS 19-20A) period in error. According to the debt service schedule provided by the Agency, the amount requested for the ROPS 19-20A period should be \$1,229,228 for Item No. 125 and \$538,734 for Item No. 126. Therefore, to accurately reflect the correct debt service payment, Finance made RPTTF adjustments in the amount of \$645,000 for Item No. 125 and \$297,500 for Item No. 126.
- Item No. 129 – Unfunded Pension Liability in the total outstanding amount of \$165,285 continues to be denied. It is our understanding the agreement is between the California Public Employees' Retirement System and the City; the former RDA is not a party to the contract. Therefore, this item is not an enforceable obligation of the Agency and the total outstanding amount of \$165,285 is 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 \$39,691 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 amount specified below:
 - Item No. 68 – Whittwood Owner Participation Agreement in the amount of \$660,000 is partially reclassified from RPTTF to Other Funds. This item does not require payment from property tax revenues and the Agency has \$39,691 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$620,309 and the use of Other Funds in the amount of \$39,691, totaling \$660,000.

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 resulting from the CAC's review of the prior period adjustment form submitted by the Agency.

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/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,589,063 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:

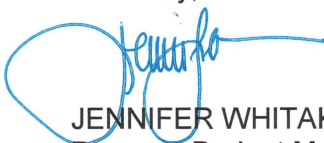
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

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. Ben Pongetti, Development Project Manager, City of Whittier
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	\$ 6,900,128	\$ 2,504,745	\$ 9,404,873
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	6,900,128	2,504,745	9,404,873
RPTTF Requested	6,900,128	2,504,745	9,404,873
<u>Adjustments</u>			
Item No. 15	(125,000)	(125,000)	(250,000)
Item No. 21	(192,112)	0	(192,112)
Item No. 68 **	(369,691)	(15,000)	(384,691)
Item No. 78	(21,945)	0	(21,945)
Item No. 119	(75,000)	0	(75,000)
Item No. 125	(645,000)	0	(645,000)
Item No. 126	(297,500)	0	(297,500)
Item No. 129	(165,285)	0	(165,285)
	(1,891,533)	(140,000)	(2,031,533)
RPTTF Authorized	5,008,595	2,364,745	7,373,340
Administrative RPTTF Requested	0	0	0
<u>Adjustment</u>			
Item No. 15	125,000	125,000	250,000
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	5,133,595	2,489,745	7,623,340
Prior Period Adjustment	(34,277)	0	(34,277)
Total RPTTF Approved for Distribution	\$ 5,099,318	\$ 2,489,745	\$ 7,589,063

**Item No. 68 total adjustment of \$384,691 includes \$345,000 for amounts not owed until ROPS 20-21 plus \$39,691 based on a review of the Agency's cash balances.