



Transmitted via e-mail

April 14, 2020

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City of Pasadena
100 North Garfield Avenue, Room S116
Pasadena, CA 91103

2020-21 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, 2020 through June 30, 2021 (ROPS 20-21) to the California Department of Finance (Finance) on January 27, 2020. Finance has completed its review of the ROPS 20-21.

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

- Item Nos. 65, 66, and 71 through 77 – Various City of Pasadena (City) loans in the total outstanding balance of \$9,624,940 are not allowed. Finance continues to deny these obligations. These City loans were denied in our Oversight Board (OB) determination letter dated March 22, 2016 for the following reasons:
 - The Agency either provided unsigned or signed City Resolutions; however, all corresponding Redevelopment Agency (RDA) Resolutions were not provided. Without signatures and the corresponding RDA Resolutions, it is not evident a loan of money or a promise to repay exists.
 - The reimbursement agreement provided for Item No. 71 does not constitute a loan as defined in dissolution statute and is not eligible for repayment under HSC section 34191.4.

Therefore, these loans are not considered enforceable obligations at this time and not eligible 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. 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 not eligible for RPTTF funding.

- The claimed administrative costs exceed the allowance by \$250,000. 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 \$0 for fiscal year 2020-21, as demonstrated in the table below.

| Administrative Cost Allowance (ACA) Calculation | |
|--|--------------------|
| Actual RPTTF distributed for fiscal year 2019-20 | \$0 |
| Less distributed Administrative RPTTF | (0) |
| Less sponsoring entity loan repayments | (0) |
| RPTTF distributed for 2019-20 after adjustments | \$0 |
| ACA Cap for 2020-21 per HSC section 34171 (b) | \$0 |
| ACA requested for 2020-21 after adjustments | 250,000 |
| ACA in Excess of the Cap | \$(250,000) |

- On the ROPS 20-21 form, the Agency reported cash balances and activity for the period July 1, 2017 through June 30, 2018 (ROPS 17-18). According to our review, the Agency has approximately \$24,442 from Other Funds available to fund enforceable obligations on the ROPS 20-21. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF funds. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 4 – Tax Allocation Bonds, Series 2006 in the amount of \$226,118 is partially reclassified. Finance is approving RPTTF in the amount of \$201,676 and the use of Other Funds in the amount of \$24,442, totaling \$226,118.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the ROPS 17-18 period. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF authorized includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$72,594, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2020 through December 31, 2020 period (ROPS A period), and one distribution for the January 1, 2021 through June 30, 2021 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 20-21 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 20-21. If the Agency disagrees with our determination with respect to any items on the ROPS 20-21, 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 must use the RAD App to complete and submit its Meet and Confer request form.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 20-21. 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 20-21 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 20-21 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 the 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.

Please direct inquiries to Kylie Oltmann, Supervisor, or Michael Painter, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

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

| Approved RPTTF Distribution July 2020 through June 2021 | | | |
|--|-------------------|-----------------|-------------------------|
| | ROPS A | ROPS B | ROPS 20-21 Total |
| RPTTF Requested | \$ 13,623,799 | \$ 7,513 | \$ 13,631,312 |
| Administrative RPTTF Requested | 125,000 | 125,000 | 250,000 |
| Total RPTTF Requested | 13,748,799 | 132,513 | 13,881,312 |
| RPTTF Requested | 13,623,799 | 7,513 | 13,631,312 |
| <u>Adjustment(s)</u> | | | |
| Item No. 4 | (24,442) | 0 | (24,442) |
| Item No. 65 | (249,063) | 0 | (249,063) |
| Item No. 66 | (490,625) | 0 | (490,625) |
| Item No. 71 | (4,736,790) | 0 | (4,736,790) |
| Item No. 72 | (22,842) | 0 | (22,842) |
| Item No. 73 | (105,625) | 0 | (105,625) |
| Item No. 74 | (113,130) | 0 | (113,130) |
| Item No. 75 | (677,907) | 0 | (677,907) |
| Item No. 76 | (249,063) | 0 | (249,063) |
| Item No. 77 | (147,188) | 0 | (147,188) |
| Item No. 80 | (6,438,722) | 0 | (6,438,722) |
| Item No. 81 | (170,239) | 0 | (170,239) |
| | (13,425,636) | 0 | (13,425,636) |
| RPTTF Authorized | 198,163 | 7,513 | 205,676 |
| Administrative RPTTF Requested | 125,000 | 125,000 | 250,000 |
| Excess Administrative Costs | (125,000) | (125,000) | (250,000) |
| Administrative RPTTF Authorized | 0 | 0 | 0 |
| ROPS 17-18 prior period adjustment (PPA) | (131,917) | 0 | (131,917) |
| Excess PPA | (1,165) | 0 | (1,165) |
| Total RPTTF Approved for Distribution | \$ 65,081 | \$ 7,513 | \$ 72,594 |