DEPARTMENT OF FINANCE

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REVISED

June 6, 2013

Mr. Elena Bolbolian, Principal Administrative Officer
City of Glendale
633 East Broadway, Suite 201
Glendale, CA 91206

Dear Ms. Bolbolian:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to Finance on February 20, 2013, for the period of July through December 2013. 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 April 15, 2013.

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. 25 – Ascencia contract for nonprofit housing services with an outstanding amount of $100,000. Finance continues to deny this item as it is not an obligation of the Agency. The February 13, 1996 contract was between the Housing Authority of the City of Glendale (Authority) and Lutheran Social Services of Southern California. The Assignment, Assumption and Fifth Amendment entered into on July 1, 2010, is between the Authority, City of Glendale (City), and PATH Achieve Glendale. The former RDA is not a party to any of the contracts provided. The Agency contends the item is an enforceable obligation because the Authority has administered the Low and Moderate Income Housing Fund on behalf of the former Redevelopment Agency (RDA) since the 1980's. However, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, since the former RDA is neither a party to the contracts nor responsible for payment of the contracts, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.

- Item No. 41 – Professional Services Agreement with PMSM Architects in the amount of $234,900. Finance no longer denies this item. Finance initially denied the item as the original contract dated May 5, 2011 for $14,300 was subsequently amended on October 3, 2011, December 11, 2012, and February 26, 2013. HSC section 34163 (c) prohibits a

RDA from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. The Agency contends this contract is in furtherance of an existing enforceable obligation and that the Oversight Board took action to implement the project. The architect contract was entered into in order to implement the Theatre Capital Improvements required to be completed by the former RDA pursuant to a 2008 Lease Agreement with a third party. The contract was subsequently amended with prior Oversight Board approval. Therefore, this item is an enforceable obligation and is eligible for RPTTF funding on the ROPS.

However, Finance notes that Article 22.5 of the Lease Agreement states that "Without an Occurrence of Default, Landlord [the Agency] may terminate this Lease by giving Tenant written notice of termination; this Lease shall terminate one-hundred and eight (180) days after Tenant's receipt of such termination notice." In order to expeditiously wind down the affairs of the former RDA as required pursuant to HSC section 34177 (h), Finance encourages the Agency and the Oversight Board to exercise this clause to terminate the Lease Agreement.

- Item No. 89 – Cooperation and reimbursement agreement in the amount of $66.1 million is not an enforceable obligation at this time. Loan repayments to the City shall not be made prior to the 2013-14 fiscal year per HSC section 34191.4 (b) (2) (A). Although ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of the City loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A). HSC section 34191.4 (b) (2) (A) allows the repayment of loans to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time.

- Item No. 95 – Construction contract for the Grandview & Sonoma project in the amount of $1.7 million. Finance continues to deny this item. The contract dated July 17, 2012, is between the City and Sully-Miller Contracting Company; the former RDA is not a party to the contract. The Agency contends the City entered into the contract on behalf of the Agency in furtherance of an agreement between the former RDA, City, County of Los Angeles, and Los Angeles County Office of Education (County Agreement). However, the Agreement does not require the former RDA to complete the project that the City has contracted for with the Sully-Miller Contracting Company. Therefore, this item is not an enforceable obligation and not eligible for funding on the ROPS.

  However, Finance notes that the funding source requested consists of the amounts received by the former RDA under the County Agreement. The Agency may use these funds on public improvement projects identified in Attachment A of the County Agreement, if the contracts were entered into by the former RDA prior to June 27, 2011. To the extent no such contracts exist, the Agency should list the repayment or return of any remaining funds to the County on a subsequent ROPS.

- Claimed administrative costs exceed the allowance by $324,546. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expense to three percent of property tax allocated to the Agency or $250,000, whichever is greater. Although $349,998 was claimed for administrative costs, Finance continues to reclassify Items 31, 51, 82, 104,

and 105 totaling $464,502 as administrative costs. Finance no longer reclassifies Item 52 as an administrative cost as it is related to annual audit costs required pursuant to HSC section 34177 (n). The remaining items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

- Any litigation expenses related to assets or obligations.
- Settlements and judgments.
- The costs of maintaining assets prior to disposition.
- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, $324,546 of excess administrative costs is not allowed. As a result the Agency is eligible for $489,954 in administrative expenses.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $16,821,746 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	$ 19,021,294
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 25	25,000
Item 31*	12,000
Item 51*	15,000
Item 82*	122,502
Item 89	2,200,000
Item 104*	250,000
Item 105*	65,000
Total approved RPTTF for enforceable obligations	$ 16,331,792
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	489,954
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	**$ 16,821,746**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

http://www.dof.ca.gov/redevelopment/ROPS/view.php

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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,

STEVE SZALAY
Local Government Consultant

cc: Mr. Philip Lanzafame, Executive Director, City of Glendale
Ms. Kristina Burns, Manager, Los Angeles County Auditor Controller's Office
California State Controller's Office