



December 30, 2013

REVISED

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 December 23, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendora Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 27, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 8, 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 November 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.

- A transposition error occurred on Page 3 of the November 8, 2013 letter which affects the maximum approved RPTTF distribution for the reporting period. The error occurred in the amount of Total RPTTF requested for non-administrative obligations. The Agency requested \$1,016,635 in Line F of the Agency submitted ROPS summary page; however, \$1,106,635 was entered as the amount of Total RPTTF requested for non-administrative obligations. Therefore, the correct amount of Total RPTTF approved for distribution is \$3,235,445. The correction will be made to the Approved RPTTF Distribution chart below.
- Item No. 1 – City loan repayment in the amount of \$476,599. Finance continues to deny this item. Records indicate the Glendora Community Redevelopment Agency (RDA) was created in 1972. The City and the RDA entered into various loans starting in 1999 for capital improvement projects and property acquisition. On May 26, 2009, the City and the former RDA entered into a loan agreement as well as sign a \$3,000,000 promissory note which required annual payments. The repayment of this loan, in the amount of \$6,421,600, was denied in the May 25, 2012 in the ROPS I letter issued by Finance. Subsequently, the Oversight Board approved the reentry on June 26, 2012 in Resolution OB 2012-09. We note that no reentered agreement was actually executed by the Agency.

The Agency contends the item is enforceable obligations because the Agency was authorized to reenter into the agreements by resolution of the duly appointed Oversight Board at their meeting on June 26, 2012, as permitted by Health and Safety Code sections 34171 (d) (2), 34178 (a), and 34180 (h) as amended by ABx1 26 and effective as of the date of the Oversight Board's action. While HSC section 34178 (a) and 34180 (h) authorizes successor agencies to reenter into agreements, any agreement reentered into cannot conflict with the requirements set forth in HSC 34171 (d), as ABx1 26 did not specifically carve out an exception to the definition of an enforceable obligation nor did HSC section 34178 (a) or 34180 (h) not withstand HSC section 34171 (d). Therefore, the Oversight Board had no legal basis to approve an action that directly conflicted with and violated the definition of an enforceable obligation. Even if Finance did not object to the specific Oversight Board actions authorizing the Agency to reenter into agreements, the statute as a whole prohibits such an action from being validated if it conflicts with the definition of an enforceable obligation. Additionally, Finance has clearly defined authority under HSC section 34177 and 34179 (h) to review any items on ROPS to determine whether or not successor agencies are responsible for the obligation listed on their ROPS. Even if an Oversight Board approved an action that created an enforceable obligation, Finance has the authority to review the enforceable obligation for compliance with HSC section 34171 (d) or for compliance with any other statutory requirements contained in Chapter 26, statutes of 2012 (AB 1484). At no time can an Oversight Board action eliminate Finance's authority to review an enforceable obligation as part of a ROPS review.

The Agency received their Finding of Completion (FOC) on April 26, 2013. Since the Agency received their FOC, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes pursuant to HSC section 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan repayments shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B 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 this repayment 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, after receiving their FOC, the Agency may be able to request funding beginning with ROPS 14-15A.

In addition, per Finance's letter dated November 8, 2013, we continue to adjust the following items not contested by the Agency during the Meet and Confer:

During our review, which included obtaining financial records, Finance determined there were omissions in the Agency's Other Funds and Accounts (OFA) Due Diligence Report (DDR). As a result of the omissions, all unexpended January through June 2013 (ROPS I) Redevelopment Property Tax Trust Fund (RPTTF) were mistakenly remitted to the taxing entities instead of being retained. In order to correct this error, the following adjustments totaling \$1,957,308 was added to the Agency's RPTTF request for ROPS 13-14B:

- Adjustment in the amount of \$1,355,902 for ROPS I funds remitted to the County Auditor Controller for distribution to the taxing entities during the DDR, which resulted in a funding shortfall.
- Item No. 19 – ROPS I unfunded liability in the amount of \$606,410 has been added as a new line item to the ROPS for the unfunded ROPS I liability.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Based upon further discussion with the CAC, the amount of 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 item denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,622,344 as summarized on next page:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	1,016,635
Total RPTTF adjustment to account for OFA DDR error ROPS I	1,957,308
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,098,943</b>
<b>Total RPTTF requested and adjusted for non-administrative obligations</b>	<b>2,973,943</b>
<u>Denied Items</u>	
Item No. 1	(476,599)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>2,497,344</b>
<b>Total RPTTF for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF approved for obligations</b>	<b>2,622,344</b>
ROPS III prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,622,344</b>

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund 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 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 Derk Symons, 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