



December 17, 2013

Mr. Aldo Schindler, Director of Community Development
City of Whittier
13230 Penn Street
Whittier, CA 90602

Dear Mr. Schindler:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 29, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Whittier Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 18, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on October 29, 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 13, 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. 106 – Administrative cost shortfall loan in the amount of \$500,000 does not meet the definition of an enforceable obligation. Finance continues to deny this item. Finance initially denied this item as it was our understanding the Agency was fully funded for their administrative expenses. The Agency contended that based on the Redevelopment Property Tax Trust Fund (RPTTF) distributions and the ROPS I prior period adjustment, it appears that the Agency has unfunded administrative costs of \$498,708. Based on further review during the Meet and Confer process, it appears that the Agency has been fully funded for administrative costs for all prior ROPS periods.

For the ROPS I period, the Agency had a shortfall in funding received from the RPTTF; however, any expenditures incurred and paid for would have been covered by Reserve funds available and would not have been included in the beginning balance in the Other Funds and Accounts (OFA) Due Diligence Review (DDR). For the ROPS II period, the Agency did not report any administrative expenditures and the total expenditures verified by the County Auditor Controller (CAC) were less than the RPTTF distribution received. For the ROPS III period, the Agency had a shortfall in funding received from the RPTTF; however, in Finance's OFA DDR Meet and Confer letter dated April 20, 2013, Finance approved the Agency to retain the full ROPS III funding shortfall, which included \$250,000 for administrative costs. For the ROPS 13-14A period, the Agency received

the full RPTTF distribution approved by Finance. Therefore, this item was fully funded in all prior ROPS periods and is not an enforceable obligation and is not eligible for funding.

In addition, per Finance's letter dated October 29, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item Nos. 1, 29, 47, 48, 70, and 98 – Bond debt service payments totaling \$2,177,826 are partially denied. It is our understanding the Agency has uneven bond debt service payments due to the larger November payment. As such the Agency is requesting 50 percent of their debt service requirement for the 2014 bond year totaling \$2,056,158. In addition, the Agency is requesting an additional \$121,668 due to a reserve shortfall in the ROPS III period. However, in Finance's OFA DDR Meet and Confer letter dated April 20, 2013, Finance approved the Agency to retain the full ROPS III funding shortfall. Therefore, the additional \$121,668 for bond debt service payments for the ROPS 13-14B period is not necessary and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$18,500. HSC section 34171 (b) limits fiscal year 13-14 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$125,000 administrative costs for the July through December 2013-14 A period, thus leaving a balance of \$125,000 available for the January through June 2013-14B period. Although \$125,000 is claimed for administrative cost, Item Nos. 3, 32, 50, and 75 for audit preparation and services totaling \$18,500 is considered an administrative expense and should be counted toward the cap. Therefore, \$18,500 of excess administrative cost is not allowed.

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 CAC and the State Controller. The amount from the RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the items that have been reclassified, 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 \$2,674,286 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	3,819,545
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,944,545
Total RPTTF requested for non-administrative obligations	3,819,545
<u>Denied Items</u>	
Item No. 1	(27,011)
Item No. 29	(15,362)
Item No. 47	(14,076)
Item No. 48	(16,086)
Item No. 70	(18,670)
Item No. 98	(30,464)
Item No. 106	(500,000)
	(621,669)
<u>Reclassified Items</u>	
Item No. 3	(4,625)
Item No. 32	(4,625)
Item No. 50	(4,625)
Item No. 75	(4,625)
	(18,500)
Total RPTTF approved for non-administrative obligations	3,179,376
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 3	4,625
Item No. 32	4,625
Item No. 50	4,625
Item No. 75	4,625
	18,500
Total RPTTF for administrative obligations	143,500
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	125,000
Total RPTTF approved for obligations	3,304,376
ROPS III prior period adjustment (PPA)	(630,090)
Total RPTTF approved for distribution	\$ 2,674,286
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	2,844,124
Total RPTTF for 13-14B (January through June 2014)	2,404,377
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	5,248,501
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	125,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	125,000

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%2013-14B%20Forms%20by%20Successor%20Agency/).

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 section 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 Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Ben Pongetti, Redevelopment Manager, City of Whittier
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office