

October 27, 2014

Ms. Ruth Davidson-Guerra, Assistant Community Development Director/Successor Agency  
Implementing Official  
City of Burbank  
150 North Third Street  
Burbank, CA 91502

Dear Ms. Davidson-Guerra:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Burbank Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 12, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 7 – Golden State 2007 Series A Revenue Bonds totaling \$78,279,061 is not an enforceable obligation of the Agency. It is our understanding the Burbank Public Financing Authority (Authority) issued the 2007 Series A Revenue Bonds (Authority Bonds) and the former redevelopment agency (RDA) is not a party to the bond official statement or indenture. Further, the Authority Bonds are secured with the Agency's debt service payments for its Golden State 1993 Series A Tax Allocation Bonds (TAB), 2003 Series A TAB, and 1993 Subordinate TAB; which are listed on the ROPS 14-15B under Item Nos. 1, 3, and 5, respectively. Therefore, it is not necessary for the Agency to request funding for the Authority Bonds and the requested \$1,107,665 in Redevelopment Property Tax Trust Fund (RPTTF) funding is denied.
- Item Nos. 12 and 13 – West Olive 2002 Series A TAB and Reserve Fund totaling \$8,657,302. It is our understanding the Agency is proposing to pay-off the debt service obligation early based on information from the Los Angeles County-Auditor Controller (CAC) that the West Olive Project Area is projected to reach its tax increment cap during ROPS 14-15B. The Agency anticipates the CAC will enforce the tax increment limitation and has requested to pay-off the obligation with \$6,506,010 in Reserve Balance and Other Funds and \$2,151,292 in RPTTF funding. However, in any ROPS period the dissolution statutes authorize successor agencies to make payments that are due in that ROPS period only. The dissolution statutes do not authorize a successor agency to make payments on enforceable obligations in excess of what is due in a six month ROPS period in anticipation of a project area reaching its tax increment cap and a

county auditor-controller's decision to not distribute funds from the RPTTF despite the fact that (1) those amounts are needed to make payment on the successor agency's enforceable obligations and (2) the amounts have been approved by Finance. Relying on a tax increment cap that was not reached prior to the enactment of the dissolution statutes to prevent payment of enforceable obligations is an interpretation of the statutes that is inconsistent with the purpose and intent of the RDA dissolution process. Therefore, tax increment caps should not be applied to bar payment of Finance-approved enforceable obligations. Since it is not necessary for the Agency to pay-off the debt service obligation early, funding authorized for the West Olive 2002 Series A TAB is as follows:

- Item No. 12 – The requested amount of \$7,705,827 is partially approved. Finance is approving \$205,754 in RPTTF funding for the interest due during the ROPS 14-15B period, and the excess \$1,945,538 in RPTTF funding is denied. Further, requested \$9,457 in Other Funds and \$5,545,078 in Reserve Balance funding is denied.
- Item No. 13 – The requested \$951,475 in Reserve Balance funding is denied.
- Item No. 80 – Keeler/Elliott Development totaling \$340 is denied. It is our understanding actual expenditures for Item No. 30 during ROPS 13-14B exceeded the authorized amount by \$340. Therefore, the Agency is requesting for funding to reimburse the difference under Item No. 80. However, based on the CAC's ROPS 13-14B Prior Period Adjustments (PPA) review, the \$340 was applied as an adjustment to the 13-14B PPA amount. Therefore, the requested \$340 is not necessary and not eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$177,205. HSC section 34171 (b) limits fiscal year 2014-2015 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 \$612,795 in administrative expenses. The CAC distributed \$425,000 for the July through December 2014 period, thus leaving a balance of \$187,795 for the January through June 2015 period. Although \$365,000 is claimed for administrative cost, only \$187,795 is available pursuant to the cap. Therefore, \$177,205 of excess administrative cost is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds balances totaling \$3,492,716. Therefore, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item Nos. 1, 3, 5, 8, and 24 – Various debt service payments and Haagen DDA – City Centre Property Tax Rebate. The Agency requested a total of \$3,811,470 in RPTTF funding; however, Finance is reclassifying a total of \$3,492,716 to Other Funds funding. These items are enforceable obligations for the ROPS 14-15B period. However, the obligations do not require payment from property tax revenues and the Agency has \$3,492,716 in available Other Funds balances. Therefore, Finance is approving the use

of Other Funds in the amount of \$2,407,546 for Item Nos. 1, 3, 5, and 8; and \$318,754 in RPTTF and \$1,085,170 in Other Funds funding for Item No. 24.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. 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 items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, you 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 at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF for the reporting period is \$0 as summarized in the Approved RPTTF Distribution Table below:

| <b>Approved RPTTF Distribution<br/>For the period of January through June 2015</b> |                     |
|--|---------------------|
| Total RPTTF requested for non-administrative obligations                           | 7,692,543           |
| Total RPTTF requested for administrative obligations                               | 365,000             |
| <b>Total RPTTF requested for obligations on ROPS</b>                               | <b>\$ 8,057,543</b> |
| <b>Total RPTTF requested for non-administrative obligations</b>                    | <b>7,692,543</b>    |
| <u>Denied Items</u>  |                     |
| Item No. 7   | (1,107,655)         |
| Item No. 12  | (1,945,538)         |
| Item No. 80  | (340)               |
|  | (3,053,533)         |
| <b>Total RPTTF for non-administrative obligations</b>                              | <b>4,639,010</b>    |
| <u>Cash Balances - Items reclassified to other funding sources</u>                 |                     |
| Item No. 1   | (1,036,856)         |
| Item No. 3   | (368,063)           |
| Item No. 5   | (669,164)           |
| Item No. 8   | (333,463)           |
| Item No. 24  | (1,085,170)         |
|  | (3,492,716)         |
| <b>Total RPTTF authorized for non-administrative obligations</b>                   | <b>\$ 1,146,294</b> |
| <b>Total RPTTF requested for administrative obligations</b>                        | <b>365,000</b>      |
| Administrative costs in excess of the cap (see Admin Cost Cap table below)         | (177,205)           |
| <b>Total RPTTF authorized for administrative obligations</b>                       | <b>\$ 187,795</b>   |
| <b>Total RPTTF authorized for obligations</b>                                      | <b>\$ 1,334,089</b> |
| ROPS 13-14B prior period adjustment (PPA)  | (1,688,525)         |
| Excess PPA   | 354,436             |
| <b>Total RPTTF approved for distribution</b>                                       | <b>0</b>            |

| <b>Administrative Cost Cap Calculation</b>   |                     |
|--|---------------------|
| Total RPTTF for 14-15A (July through December 2014)                                | 15,787,498          |
| Total RPTTF for 14-15B (January through June 2015)                                 | 4,639,010           |
| Less approved unfunded obligations from prior periods                              | -                   |
| <b>Total RPTTF for fiscal year 2014-2015</b>                                       | <b>20,426,508</b>   |
| Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000) | 612,795             |
| Administrative allowance for 14-15A (July through December 2014)                   | 425,000             |
| <b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>        | <b>187,795</b>      |
| Total RPTTF administrative obligations after Finance adjustments                   | 365,000             |
| <b>Administrative costs in excess of the cap</b>                                   | <b>\$ (177,205)</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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except a cash balance shortage of \$71,181 and any restrictions of bond interest revenue of \$178,700. Therefore, as noted above, Finance has reclassified the available cash balances of \$3,492,716 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Cindie Lor, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Lusine Arutyunyan, Administrative Analyst, City of Burbank  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office