



November 6, 2014

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

Dear Ms. Bolbolian:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 23, 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 Nos. 3, 4, and 5 – 2010 and 2011 Tax Allocation Bonds payments totaling \$7,801,411 in Reserve Balance, Other Funds, and Redevelopment Property Tax Trust Fund (RPTTF) funding. It is our understanding the requested amounts comprise of the interest due June 2015 and the principal due December 2015. Per the Agency's request, Finance is increasing the requested RPTTF amounts by \$2,458,205 to include the total debt service payments due for the 2015 calendar year as follows:
 - Item No. 3 – Increase of \$722,513 for interest due December 2015.
 - Item No. 4 – Increase of \$1,395,751 for interest due December 2015.
 - Item No. 5 – Increase of \$339,941 for interest due December 2015.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the \$2,458,205 in RPTTF requested to be held in reserve along with the \$7,801,411 initially requested on the ROPS to be funded with Reserve Balance, Other Funds, and RPTTF should be transferred upon approval and receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item No. 20 – OPA with KABC 7 (Reserve Fund) in the amount of \$100,000 is denied. The Owner Participation Agreement provided was only valid for a 7-year period

beginning September 8, 1998 and does not indicate a continuation of the financial obligation past that period. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item Nos. 32, 34, 41, 44, 55, 73-76, 96, 99-103, 123-128, 130, 134-137, 141, and 142 – These are contracts, agreements, and staff project costs in the total amount of \$1,895,049. No documentation was provided to support the amounts claimed. While it is appropriate to estimate upcoming expenses, the estimates should be supported by a reasonable methodology. Therefore, these items are not enforceable obligations and are not eligible for RPTTF, Reserves Balances and Other Funds funding on this ROPS.
- Item Nos. 112 and 143 – Professional Services Contract and Metrolink Southern California Regional Rail Authority totaling \$174,978 are not enforceable obligations. It is our understanding these agreements are between the City of Glendale and multiple third parties, and the former redevelopment agency (RDA) is not a party to the contracts. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF and Other Funds funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$40,734. 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 \$668,102 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$396,418 administrative costs for the July through December 2014 period, thus leaving a balance of \$271,684 available for the January through June 2015 period. Although \$215,418 is claimed for administrative cost, Item Nos. 31, 33, 52, 109, and 113 for totaling \$97,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$40,734 of excess administrative cost is not allowed.

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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$8,817,823 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	7,332,675
Total RPTTF requested for administrative obligations	215,418
Total RPTTF requested for obligations on ROPS	\$ 7,548,093
RPTTF adjustment to non-administrative obligations	2,458,205
Total RPTTF adjustments	\$ 2,458,205
Total RPTTF requested for non-administrative obligations	9,790,880
<u>Denied Items</u>	
Item No. 20	(50,000)
Item No. 32	(20,000)
Item No. 34	(150,000)
Item No. 55	(30,000)
Item No. 73	(75,000)
Item No. 74	(100,000)
Item No. 75	(45,000)
Item No. 76	(11,687)
Item No. 96	(67,548)
Item No. 99	(15,000)
Item No. 100	(5,000)
Item No. 101	(10,000)
Item No. 102	(10,000)
Item No. 103	(3,500)
Item No. 112	(5,000)
Item No. 141	(40,000)
	<u>(637,735)</u>
<u>Reclassified Items</u>	
Item No. 31	(15,000)
Item No. 33	(10,000)
Item No. 52	(7,000)
Item No. 109	(15,000)
Item No. 113	(50,000)
	<u>(97,000)</u>
Total RPTTF authorized for non-administrative obligations	\$ 9,056,145
Total RPTTF requested for administrative obligations	215,418
<u>Reclassified Items</u>	
Item No. 31	15,000
Item No. 33	10,000
Item No. 52	7,000
Item No. 109	15,000
Item No. 113	50,000
	<u>97,000</u>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(40,734)
Total RPTTF authorized for administrative obligations	\$ 271,684
Total RPTTF authorized for obligations	\$ 9,327,829
ROPS 13-14B prior period adjustment	(510,006)
Total RPTTF approved for distribution	\$ 8,817,823

Administrative Cost Cap Calculation	
Total RPTTF for 14-15A (July through December 2014)	13,213,927
Total RPTTF for 14-15B (January through June 2015)	9,056,145
Total RPTTF for fiscal year 2014-2015	22,270,072
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	668,102
Administrative allowance for 14-15A (July through December 2014)	396,418
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	271,684
Total RPTTF administrative obligations after Finance adjustments	312,418
Administrative costs in excess of the cap	\$ (40,734)

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; however, the Agency was unable to support the amounts reported. The beginning balances for Reserve Balances, Other Funds, and RPTTF could not be supported by the Agency's financial records. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses 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.

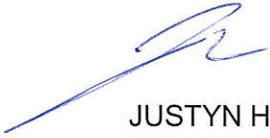
Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a)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

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