DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 2014. 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 Finance on September 23, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 6, 2014. 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 19, 2014.

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 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. Based on the Agency's request during the Meet and Confer process, Finance no longer increases these items in the following amounts:

    - Item No. 3 – $722,513
    - Item No. 4 – $1,395,751
    - Item No. 5 – $339,941

  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 $5,343,205 in RPTTF requested to be held in reserve for the December 2015 debt service payments along with the $2,458,205 requested for the June 2015 debt service payments 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. 39 – Contract with EP Associates totaling $25,005. This item was not selected during Finance's initial review. During the Meet and Confer process, the Agency requested to reduce the funding requested on this item to $0. Therefore, Finance is reducing RPTTF funding by $25,005.

- Item Nos. 55, 73 through 75, 124, 125, 128, 130, 136, 137, 141, and 142 – Various contracts, agreements, and staff project costs totaling $1,067,650. Finance initially denied these items because 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. During the Meet and Confer process, the Agency provided the following information:

    - For Item No. 55, the Agency provided an estimate from the property management company in the amount of $11,715 for the ROPS 14-15B period. Therefore, Finance no longer denies $11,715 Other Funds for Item No. 55 and continues to deny $30,000 RPTTF funding and $18,285 Other Funds.

    - For Item Nos. 73 through 75, the Agency provided the methodology used to estimate the salaries for project management for the ROPS 14-15B period and requested to increase Item No. 75 by $5,000 to $50,000. Therefore, Finance no longer denies RPTTF funding in the amounts of $75,000, $100,000, and $50,000 for Item Nos. 73 through 75, respectively.

    - For Item Nos. 124 and 125, the Agency provided a breakdown of the costs that have been incurred and the remaining costs to be incurred for these items. The Agency requested to revise the amounts requested from Other Funds for Item Nos. 124 and 125 to $14,020 and $30,066, respectively. Therefore, Finance no longer denies Other Funds totaling $14,020 and $30,066 for Item Nos. 124 and 125, respectively.

    - For Item No. 128, the Agency provided a breakdown of the estimated costs for the ROPS 14-15B period in the amount of $86,789. Therefore, Finance no longer denies Reserve Balances totaling $86,789 for Item No. 128.

    - For Item Nos. 130 and 136, the Agency provided the actual costs incurred over the last six-month period as the basis for the estimates and requested to revise the amount requested from Reserve Balances to $690 and $475 for Item Nos. 130 and 136, respectively. Therefore, Finance no longer denies Reserve Balances totaling $690 and $475 for Item Nos. 130 and 136, respectively.

    - For Item No. 137, the Agency provided an estimate from the project's architect for the installation of an exterior roll-up door outside the freight elevator on the loading dock level in the amount of $22,000. Therefore, Finance no longer denies Other Funds totaling $22,000 for Item No. 137.

    - For Item No. 141, the Agency provided estimates from third parties related to the property disposition costs. Therefore, Finance no longer denies RPTTF funding totaling $40,000 for Item No. 141.

- For Item No. 142, the Agency provided the actual annual audit costs totaling $62,729 incurred by Glendale Arts from 2008 through 2014 that have not been reimbursed by the Agency pursuant to Section 7.2 of the Lease Agreement. The Agency also provided $5,850 in tax preparation costs; however, these costs are not reimbursable pursuant to the Lease Agreement. Therefore, Finance no longer denies Other Funds totaling $62,729 for Item No. 142.

- Item No. 143 – Metrolink Southern California Regional Rail Authority totaling $169,978. Finance continues to deny this item. Finance initially denied this item because it was our understanding that this agreement is between the City of Glendale (City) and multiple third parties, and the former redevelopment agency (RDA) is not a party to the contract. During the Meet and Confer process, the Agency contended that the Settlement Agreement dated September 27, 2006, between the City, Southern California Regional Rail Authority (Metrolink), Union Pacific Railroad Company, and Walt Disney Company required $2,000,000 to be placed into an escrow account to fund improvements and the former RDA adopted Resolution R-647 to pay for the improvements. However, the former RDA was not a party to the Settlement Agreement. Additionally, the former RDA was not a party to the Construction Agreement dated November 23, 2011, which was entered into between the City and Metrolink to implement the Settlement Agreement. Furthermore, the resolution provided by the Agency is related to an Owner Participation Agreement dated December 12, 2000, between the former RDA and the Walt Disney World Co. The Agency did not provide any agreements that were entered into between the former RDA and Metrolink. Therefore, this item is not an enforceable obligation and is not eligible for Other Funds.

- Claimed administrative costs exceed the allowance by $84,620. 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 $602,216 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 $205,798 available for the January through June 2015 period.

  Although $215,418 is claimed for administrative costs, it was initially determined that Item Nos. 31, 33, 52,109, and 113 totaling $97,000 should be considered administrative expenses and counted toward the cap. During the Meet and Confer process, the Agency contended that Item Nos. 52 and 109 should not be counted towards the administrative cap.

  For Item No. 52, the Agency contended that the annual independent audit for its financial statements for fiscal year 2014-15 is required by the bond covenants and provided the estimated cost for the Agency's share of the audit costs. Therefore, Finance no longer reclassifies Item No. 52 as an administrative cost.

  For Item No. 109, the Agency contended that the storage costs are related to maintaining assets prior to disposition and provided actual past invoices to support the estimated amount. Therefore, Finance no longer reclassifies Item No. 109 as an administrative cost.

  Therefore, $84,620 of excess administrative cost is not allowed.

In addition, per Finance's letter dated November 6, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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, 76, 96, 99 through 103, 123, 126, 127, 134, and 135 – These are contracts, agreements, and staff project costs in the total amount of $827,399. 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 No. 112 – Professional Services Contract totaling $5,000 is not an enforceable obligation. It is our understanding this agreement is between the City of Glendale and multiple third parties, and the former RDA is not a party to the contract. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding on this ROPS.

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. The Agency's maximum approved RPTTF distribution for the reporting period is $6,555,727 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	**$**	**7,548,093**
RPTTF adjustment to non-administrative obligations		(20,005)
Total RPTTF adjustments	**$**	**(20,005)**
Total RPTTF requested for non-administrative obligations		**7,312,670**
Denied Items		
Item No. 20		(50,000)
Item No. 32		(20,000)
Item No. 34		(150,000)
Item No. 55		(30,000)
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)
		(377,735)
Reclassified Items		
Item No. 31		(15,000)
Item No. 33		(10,000)
Item No. 113		(50,000)
		(75,000)
Total RPTTF authorized for non-administrative obligations	**$**	**6,859,935**
Total RPTTF requested for administrative obligations		**215,418**
Reclassified Items		
Item No. 31		15,000
Item No. 33		10,000
Item No. 113		50,000
		75,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(84,620)
Total RPTTF authorized for administrative obligations	**$**	**205,798**
Total RPTTF authorized for obligations	**$**	**7,065,733**
ROPS 13-14B prior period adjustment		(510,006)
Total RPTTF approved for distribution	**$**	**6,555,727**

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)	6,859,935
Total RPTTF for fiscal year 2014-2015	**20,073,862**
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or $250,000)	602,216
Administrative allowance for 14-15A (July through December 2014)	396,418
Allowable RPTTF distribution for administrative cost for ROPS 14-15B	**205,798**
Total RPTTF administrative obligations after Finance adjustments	290,418
Administrative costs in excess of the cap	**$ (84,620)**

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

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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