DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 14, 2014

Mr. John Michicoff, Interim Director of Finance/Treasurer
City of Glendora
116 East Foothill Blvd
Glendora, CA 91741

Dear Mr. Michicoff:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendora Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 2, 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.

- Item No. 1 – Re-Executed Designated Agreement in the amount of $972,943 is not allowed. The Agency received a Finding of Completion on April 26, 2014. As such, 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 the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Additionally, HSC section 34191.4 (b) (2) (A) specifies 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 fiscal year 2012-13 base year.

  According to the County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are 2,368,006 and $881,545, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is $0. Therefore, the $972,943 requested is not eligible for funding on this ROPS. The Agency may be eligible for repayment in future ROPS when total residual pass-through distributed to the taxing entities in a fiscal year exceeds the base year.

- Item No. 10 – 2003 Series A Bonds (Low/Mod) in the amount of $18,225 is not allowed. It is our understanding the amount requested is a percentage deducted out of the total debt service payment due for Item Nos. 3 and 4, 2003 Series A and B Bonds, respectively. Therefore, the requested payment amount of $18,225 is not necessary and does not need to be listed separately. Therefore, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) on this ROPS.

- Item No. 17 – County Pass-Through Deferral payment in the amount of $278,164. The Agency was approved for $55,633 in RPTTF funding for this item during the ROPS 13-14B period; however, the payment amount was inadvertently included as part of the CAC's ROPS 13-14B Prior Period Adjustment (PPA) amount. This amount is also included as part of the amount requested of $111,266 to be paid from Reserve Balance. Per the Agency's request, Finance is reclassifying $55,633 from Reserve Balance to RPTTF funding to reflect the correct amount needed. Therefore, this item is approved for payment for $55,633 in Reserve Balance and $222,531 in RPTTF funding.

- Item No. 24 – Sale of Property located at 213 East Route 66 in the amount of $665,600. It is our understanding this amount is listed on the ROPS to reflect the Agency's remittance of property sale proceeds to the County Auditor-Controller (CAC). The Agency should remit the sales proceeds to the CAC, however; it is not necessary to request authorization through the ROPS. Therefore, this item is denied for Other Funds funding.

- Item No. 25 – Housing Administrative cost allowance per AB471 in the amount of $75,000. Finance denied this item in ROPS 14-15A Meet and Confer and continues to deny this item. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484). Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

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 review 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 $696,201 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		1,650,358
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**1,775,358**
Total RPTTF requested for non-administrative obligations		**1,650,358**
Denied Items		
Item No. 1		(972,943)
Item No. 10		(18,225)
Item No. 25		(75,000)
		(1,066,168)
Reclassified Item		
Item No. 17		55,633
Total RPTTF authorized for non-administrative obligations	**$**	**639,823**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**764,823**
ROPS 13-14B prior period adjustment		(68,622)
Total RPTTF approved for distribution	**$**	**696,201**

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. 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.

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. Elizabeth Stoddard, Accounting Manager, City of Glendora
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office