

December 17, 2014

Ms. Eva Carreon, Finance Director  
City of Irwindale  
5050 N. Irwindale Avenue  
Irwindale, CA 91706

Dear Ms. Carreon:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Irwindale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 30, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 14, 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 25, 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 30 – City loan repayment in the amount of \$3,437,145. Finance continues to deny this item at this time for reasons previously stated. Oversight Board (OB) Resolution No. 2013-02-16 made a finding the Cooperation Agreement between the former redevelopment agency and the City of Irwindale was for legitimate redevelopment purposes. However, on April 26, 2013, Finance determined that OB resolution No. 2013-02-16 was not an enforceable obligation. While the Agency received a Finding of Completion on April 26, 2013, the Agency was unable to provide the original executed Cooperation Agreement.

Pursuant to HSC section 34191.4 (b), upon application by the Agency and approval of the Oversight Board, loan agreements entered into between the former redevelopment agency and the sponsoring entity shall be deemed enforceable obligations provided that the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes. During the meet and confer the Agency provided several additional documents including audited financial statements and resolutions; however, the Agency still did not provide the original executed Cooperation Agreement; therefore, this item is not an enforceable obligation at this time. We note that to the extent the Agency is able to locate and provide the original Cooperation Agreement to Finance, this item may be listed on a future ROPS for Finance's review.

- Item 31 – Housing Authority Administrative Costs in the amount of \$600,000. Finance continues to deny this item. Finance denied this item because 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 redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former RDA of the City of Irwindale (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).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of city includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines city for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance.

In addition, per Finance's letter dated November 14, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Claimed administrative costs exceed the allowance by \$61,489. HSC section 34171 (b) limits the fiscal year 14-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$296,757 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$242,800 of administrative costs for the July through December 2014 period, thus leaving a balance of \$53,957 available for the January through June 2015 period. Although \$115,446 is claimed for administrative cost, only \$53,957 is available pursuant to the cap. Therefore, \$61,489 of excess administrative cost is not allowed.
- Item 17 – Engineering support services. Finance approves the Agency's request to increase the six-month requested amount from \$13,050 to \$130,500 in Other Funds funding.

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 totaling \$535,566.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 4 – 2006 Tax Allocation Refunding Parity Bonds. The Agency requests \$1,841,286 of RPTTF; however, Finance is reclassifying \$535,566 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$535,566 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$1,305,720 and the use of Other Funds in the amount of \$535,566, totaling \$1,841,286.

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 item that has 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 \$2,346,147 as summarized in the Approved RPTTF Distribution Table on the following page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	4,006,944
Total RPTTF requested for administrative obligations	115,446
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 4,122,390</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>4,006,944</b>
<u>Denied Items</u>	
Item No. 30	(1,029,188)
Item No. 31	(150,000)
	<u>(1,179,188)</u>
<b>Total RPTTF for non-administrative obligations</b>	<b>2,827,756</b>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 4	(535,566)
	<u>(535,566)</u>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 2,292,190</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>115,446</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(61,489)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 53,957</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 2,346,147</b>
ROPS 13-14B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,346,147</b>
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Total RPTTF for 14-15A (July through December 2014)	7,064,155
Total RPTTF for 14-15B (January through June 2015)	2,827,756
<b>Total RPTTF for fiscal year 2014-2015</b>	<b>9,891,911</b>
Allowable administrative cost for fiscal year 2014-15 (Greater of 3% or \$250,000)	296,757
Administrative allowance for 14-15A (July through December 2014)	242,800
<b>Allowable RPTTF distribution for administrative cost for ROPS 14-15B</b>	<b>53,957</b>
Total RPTTF administrative obligations after Finance adjustments	115,446
<b>Administrative costs in excess of the cap</b>	<b>\$ (61,489)</b>

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting Program Budget Manager

cc: Ms. Suzy Kim, Consultant, City of Irwindale  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office