



November 14, 2014

REVISED

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 Finance's letter dated November 12, 2014 and is necessary to correct a Prior Period Adjustment amount. 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 the California Department of Finance (Finance) on September 30, 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 30 – City loan repayment in the amount of \$3,437,145 continues to be denied. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) the Agency has received a Finding of Completion; and (2) the Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on April 26, 2013. In Finance's letter dated March 24, 2013, Finance denied OB Resolution No. 2013-02-16, which found that the Cooperation Agreement between the former redevelopment agency and the City of Irwindale was for legitimate redevelopment purposes. During our review of the resolution, the Agency was unable to provide the executed Cooperation Agreement, and Finance was unable to verify the terms of the agreement. During the ROPS review, the Agency did not provide the additional supporting documents needed to establish the loan as an enforceable obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item 31 – Housing Authority Administrative Costs in the amount of \$600,000. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions.

Because the housing successor to the former redevelopment agency 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 pursuant to HSC section 34167.10. Therefore, \$150,000 of housing successor administrative allowance is not allowed.

- 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, \$61,849 of excess administrative cost is not allowed.

In addition, Finance would like to note:

- 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 (I) (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. 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 distribution for the reporting period is \$2,346,147 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution 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>

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 Hugo Lopez, Lead 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