DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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November 12, 2014

Mr. Conal McNamara, Director of Community Development
City of Whittier
13230 Penn Street
Whittier, CA 90602

Dear Mr. McNamara:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Whittier 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 Nos. 1, 29, 47, 48, 70 and 98 – Reserves for debt service payments totaling $802,500. Of the total requested of $2,047,394, $802,500 is authorized as reserves for debt service payment in the second half of the calendar year. Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed Redevelopment Property Tax Trust Fund (RPTTF) funding. As such, the $802,500 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustee. 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 Nos. 6 and 114 through 117 – Property maintenance and consulting services costs totaling $12,892 is partially denied. According the Agency's ROPS 14-15B Notes Form, costs is excess of the ROPS 13-14B authorized amounts were included in the requested amounts for ROPS 14-15B. However, the Los Angeles County Auditor Controller (CAC) allowed the excess amounts to net against the remaining cash balance in its review of the Agency's Prior Period Adjustments Form for ROPS 13-14B. Therefore, $10,753 is approved and the excess $2,139 in RPTTF funding is denied as follows:
    - Item No. 6 – Of requested $3,335, excess of $834 is denied.
    - Item No. 114 – Of requested $2,390, excess of $327 is denied.
    - Item No. 115 – Of requested $2,388, excess of $325 is denied.
    - Item No. 116 – Of requested $2,390, excess of $327 is denied.
    - Item No. 117 – Of requested $2,389, excess of $326 is denied.

- Item Nos. 7, 8, 13, 14, 37, 38, 41, 42, 59, 65, 80, 81, 86, 87, 100 and 103 – Various bond funded project costs totaling $1,880,300. A Finding of Completion was issued on May 24, 2013, and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. According to the Agency the projects associated with these line items are a low priority and the bond proceeds will likely to be reallocated to infrastructure and affordable housing projects. Documents were not provided to support the requested six-month expenditures because there are no current plans in place nor have any contracts been signed. To the extent the Agency can provide proper documentation, such as detailed plans outlining specific tasks to be undertaken and third party estimates supporting the six-month estimated expenditures, the funding may be approved on future ROPS.

- Item Nos. 45 and 68 – Quad DDA and Whittwood OPA payments in the amount of $1,255,000 is partially denied. Of the requested amount, the Agency is requesting $635,000 as reserves needed for the ROPS 15-16A period because their tax incremental cap will be reached.

  Pursuant to HSC 34171 (d) (1) (A), reserves are only allowed for debt service when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half calendar year. Further, in any ROPS period the dissolution statutes authorize successor agencies to make payments that are due in that ROPS period only. The dissolution statutes do not authorize a successor agency to request for payments on enforceable obligations in excess of what is due in a six-month ROPS period in anticipation of a project area reaching its tax increment cap. Relying on a tax increment cap that was not reached prior to the enactment of the dissolution statutes to prevent payment of enforceable obligations is an interpretation of the statutes that is inconsistent with the purpose and intent of the redevelopment agency (RDA) dissolution process. Therefore, tax increment caps should not be applied and the reserve amounts of $365,000 for Item No. 45 and $270,000 for Item No. 68 are not eligible for RPTTF funding on this ROPS.

- Item No. 56 – Project management costs for bond funded projects in the amount of $250,000 is partially reclassified. The Agency requests $230,000 in Bond Proceeds and $20,000 in RPTTF funding. Since these project management costs are associated with projects funded with bond proceeds, these costs should also be fully funded with bond proceeds. Therefore, the requested $20,000 in RPTTF funding has been reclassified to Bond Proceeds funding.

- Item No. 118 – Housing administrative costs allowance pursuant to AB 471 totaling $150,000 continues to not be an enforceable obligation. 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 RDA of the City of Whittier (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.

- Item No. 119 – Demolition of Agency owned property in the amount of $60,000 is not an enforceable obligation. The Agency contends demolition of the property is necessary due to the property's condition. HSC section 34177.3 (a) prohibits successor agencies from creating new enforceable obligations or begin new redevelopment work that is not related to an enforceable obligation that existed prior to June 28, 2011. It is our understanding there is no contract in place and the requirement to demolish the property is not tied to an existing enforceable obligation. Therefore, this item is not an enforceable obligation and not eligible for RPTTF 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 $33,280.

Therefore, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item Nos. 15 and 43 – Successor Admin. Cost. The Agency requests a total of $62,500 of RPTTF; however, Finance is reclassifying $33,280 to Other Funds. These items are enforceable obligations for the ROPS 14-15B period. However, these obligations do not require payment from property tax revenues and the Agency has $33,280 in available Other Funds. Therefore, Finance is approving RPTTF in the amount $29,220 and the use of Other Funds in the amount of $33,280, totaling $62,500.

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 $2,945,666 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		3,850,944
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**3,975,944**
Total RPTTF requested for non-administrative obligations		**3,850,944**
Denied Items		
Item No. 6		(834)
Item No. 45		(365,000)
Item No. 68		(270,000)
Item No. 114		(327)
Item No. 115		(325)
Item No. 116		(327)
Item No. 117		(326)
Item No. 118		(150,000)
Item No. 119		(60,000)
		(847,139)
Reclassified Item		
Item No. 56		(20,000)
Total RPTTF authorized for non-administrative obligations	**$**	**2,983,805**
Total RPTTF requested for administrative obligations		**125,000**
Cash Balances - Items reclassified to other funding sources		
Item No. 15		(31,250)
Item No. 43		(2,030)
		(33,280)
Total RPTTF authorized for administrative obligations	**$**	**91,720**
Total RPTTF authorized for obligations	**$**	**3,075,525**
ROPS 13-14B prior period adjustment		(129,859)
Total RPTTF approved for distribution	**$**	**2,945,666**

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. The Agency was able to support the amounts reported except the balances reported under columns Prior ROPS period balances and DDR RPTTF balances retained, which Finance believes should have had a beginning balance of $1,146,708. Therefore, as noted above, Finance has reclassified the available cash balances of $33,280 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional 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 Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Ben Pongetti, Development Project Manager, City of Whittier
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office