DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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Revised

May 20, 2015

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

The California Department of Finance's (Finance) is reissuing this letter due to an error in the distribution calculation. This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated April 17, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to Finance on March 3, 2015, for the period of July through December 2015. Finance issued a ROPS determination letter on April 17, 2015. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 28, 2015.

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 determinations being disputed.

- Item No. 18 – GC3 OPA/DA in the amount of $300,000. The Agency requests $300,000 of Redevelopment Property Tax Trust Fund (RPTTF) for this item. However, Item Nos. 127, 137, and 143 totaling $224,589 in Other Funds were initially denied, which resulted in the availability of those funds for reclassification to Item 18. During the Meet and Confer process, the Agency disputed the denials of Item Nos. 137 and 143 and based on the determination for those items, Finance revises the amount of Other Funds available to 26,000.

  This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues. As such, Finance is reclassifying $26,000 of the requested RPTTF to Other Funds. Therefore, Finance is approving $274,000 and $26,000 from the RPTTF and Other Funds, respectively, totaling $300,000.

- Item No. 45 – Professional service contract with Nelson/Nygaard Consultants in the amount of $18,672 is not allowed. Finance continues to deny this item. The Agency requested funds based on invoices from January through March 2014; however, Finance denied this item because the funding agreement expired on February 6, 2013 and does

not indicate a continuation of the obligation past that period. During the Meet and Confer process, the Agency contended that the amount requested reflects the last work to complete the contract scope. The Agency provided invoices for services provided from November 2013 through March 2014. However, as previously stated, the term of the agreement expired on February 6, 2013, and there is no provision in the agreement to allow for work or payments to continue beyond the term of the agreement. Additionally, it is our understanding that the City of Glendale (City) has paid for these services that were incurred outside of the agreement terms. Therefore, this item is not eligible for RPTTF funding.

- Item Nos. 74, 75, 84, 91, 98, 127, 137 and 144 – Various obligations totaling $131,486 of RPTTF and $26,000 of Other Funds. Finance no longer denies Item Nos. 74 and 98, continues to deny Item Nos. 75, 84, 127, 137, and 144, and continues to partially approve Item No. 91. It is our understanding these costs are for property maintenance, tax for special assessments, project-specific staff and management fees for the Alex Theater, Laemmle Projects and the Museum of Neon Arts (MONA) properties, which were listed in the Agency's Long Range Property Management Plan (LRPMP). Finance initially denied these items because pursuant to the approved LRPMP, the Alex Theater, Laemmle Projects, and the MONA properties were approved for transfer to the City for future development.

  During the Meet and Confer process, the Agency contended that there are pre-existing agreements for projects related to these properties and the requested costs are to complete work required pursuant to these agreements, not for general property maintenance. The following items were initially denied in the amounts specified below:

  - Item No. 74 – Project management costs for Laemmle Development and Disposition Agreement (DDA) and MONA Lease Agreement totaling $41,705 from the RPTTF. These projects continue to be enforceable obligations on the ROPS and the project management costs associated with the projects are also enforceable obligations. Therefore, this item is eligible for RPTTF funding.

  - Item No. 75 – Project management costs for the Alex Theatre Lease and Management Agreements totaling $29,203 from the RPTTF. The Lease Agreement with Glendale Arts for the Alex Theatre expires on June 30, 2015, and this property was approved for transfer to the City for future development. As such, beginning in the ROPS 15-16A period, the Agency no longer has an obligation under the Lease Agreement. Therefore, this item is not eligible for RPTTF funding.

  - Item No. 84 – Management fee per the Management Agreement to operate the Alex Theatre totaling $34,583 from the RPTTF. The Lease Agreement with Glendale Arts for the Alex Theatre expires on June 30, 2015, and this property was approved for transfer to the City for future development in the LRPMP. As such, beginning in the ROPS 15-16A period, the Agency no longer has an obligation under the Lease Agreement. Therefore, this item is not eligible for RPTTF funding.

  - Item No. 91 – Community Benefit District assessments totaling $6,128 from the RPTTF. These are amounts due on properties of the former Redevelopment Agency. Of the properties listed, only 117 Maryland and 111 Wilson are being

retained by the Agency for sale or to fulfill an enforceable obligation. The remaining properties were approved for transfer to the City for future development or government use and are no longer the obligation of the Agency. Therefore, $3,648 is eligible for RPTTF funding and the $6,128 that was initially denied continues to be denied.

- Item No. 98 – Construction management for MONA projects and Laemmle site development totaling $7,397 from the RPTTF. The MONA and Laemmle projects continue to be enforceable obligations on the ROPS and the project management costs associated with the projects are also enforceable obligations. Therefore, this item is eligible for RPTTF funding.

- Item No. 127 – Capital improvement projects pursuant to the Alex Theatre Lease Agreement totaling $15,000 from Other Funds. The Agency did not dispute the denial of this item. Therefore, Finance continues to deny this item.

- Item No. 137 – Site work pursuant to the Alex Theatre Lease Agreement totaling $11,000 from Other Funds. The Lease Agreement with Glendale Arts for the Alex Theatre expires on June 30, 2015, and this property was approved for transfer to the City for future development in the LRPMP. As such, beginning in the ROPS 15-16A period, the Agency no longer has an obligation under the Lease Agreement. Therefore, this item is not eligible for RPTTF funding.

- Item No. 144 – Repairs for Alex Theatre totaling $12,470 from the RPTTF. The Lease Agreement with Glendale Arts for the Alex Theatre expires on June 30, 2015, and this property was approved for transfer to the City for future development in the LRPMP. As such, beginning in the ROPS 15-16A period, the Agency no longer has an obligation under the Lease Agreement. Therefore, this item is not eligible for RPTTF funding.

Finance notes that for those properties approved to be transferred to the City pursuant to the approved LRPMP, Dissolution Law does not require that a compensation agreement be reached prior to the properties being transferred to the sponsoring entity or in this case, the City. Nevertheless, it is Finance's expectation that the required compensation agreement with the affected taxing entities be entered at some point in the future. Therefore, the Agency should proceed with the transfer of the properties to the City as approved in the LRPMP.

- Item No. 89 – Cooperation and Reimbursement Agreements in the amount of $44,243,012 is not allowed. Finance continues to deny this item. During the Meet and Confer process, the Agency contended that this determination conflicts with the judgment and writ of mandate entered by the Sacramento County Superior Court. However, an appeal has been filed and the court decisions have been stayed. Therefore, Finance continues to deny this item for the following reasons:

  - 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 (FOC); and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

OB Resolution OSB-19 dated February 6, 2013 approved the purported loans; however, is invalid since the Agency had not received a FOC. The Agency received a FOC on May 13, 2013 and subsequently the OB approved the purported loans again in OB Resolution OSB-35 dated February 26, 2014; however, Finance denied the OB action. Therefore, there is no operative OB action approving the purported loans.

- The total outstanding balance is overstated. Finance continues to maintain its position that the outstanding balance for the purported City loans is overstated as it includes miscalculated interest because the Agency recalculated the accumulated interest by using the Local Agency Investment Fund (LAIF) interest rate that was applicable for each quarter the loan has been outstanding. HSC section 34191.4 requires the recalculation of the accumulated interest at a rate not to exceed the interest rate earned by funds deposited in the LAIF at the time the OB finds that the loan was for legitimate redevelopment purposes and is deemed and enforceable obligation. Therefore, for the project loans that may be eligible for funding in the future, the Agency should recalculate the interest using the LAIF interest rate at the time an effective OB action makes the finding the loan was for legitimate redevelopment purposes.

- Even if the Agency receives an OB action that makes the appropriate findings, we note that not all of the 13 agreements submitted to Finance qualify as loans eligible for post-FOC repayment. Under HSC 34191.4 a "loan" is a loan of moneys borrowed by the redevelopment agency (RDA) for a lawful purpose, to the extent they are legally required to be repaid pursuant to a repayment schedule or other mandatory loan terms. It is our understanding for the projects below, no money was loaned to the RDA. Rather, the City was to construct and install public improvements and the RDA was to reimburse the City for the construction and installation costs. Therefore, the following do not qualify as loans:

    - Glenoaks Improvement - Cooperation and Reimbursement Agreement for the Construction of Public Improvements dated October 11, 1977.

    - Parking lots transferred to the RDA – Cooperation and Reimbursement Agreement for the Construction of Public Improvements and for Conveyance of Certain Real Property to Glendale Redevelopment Agency dated April 12, 1983.

    - North Bend Improvement - Cooperation and Reimbursement Agreement for the Construction of Public Improvements and for Conveyance of Certain Real Property to Glendale Redevelopment Agency dated April 12, 1983.

    - Verdugo Utility Improvement - Cooperation and Reimbursement Agreement for the Construction of Public Improvements and for Conveyance of Certain Real Property to Glendale Redevelopment Agency dated December 17, 1985.

- Water Treatment Facilities – Cooperation Agreement to provide for the Installation and Construction of the Glendale Water Treatment Facility dated July 16, 1996.

- Recycling Center - Cooperation Agreement to provide for the Installation and Construction of the Glendale Relocated Recycling Center dated July 16, 1996.

Furthermore, we note the following additional issues with other specific purported loans:

- It is unclear for the Water Treatment Facility and Recycling Center projects, how much of the Agency obligations should have been reduced by revenue collected by the City.

- No original agreement was provided for the San Fernando Project – Advance with an Agency reported outstanding balance of $1,272,006 as of June 30, 2013.

- San Fernando Project Master Plan – Cooperation and Reimbursement Agreement for San Fernando Road Corridor Redevelopment Project Area II for Projects/Programs dated December 10, 1996. Pursuant to the agreement the maximum advance amount is $73,410; however, the Agency claims the total principal balance outstanding is $601,731. Therefore, the outstanding amount is not adequately supported.

- Item No. 141 – Property disposition cost in the amount of $55,000. Finance no longer denies this item. The draft agreement provided between the Agency and Kosmont Realty Corporation (Consultant) states that the Consultant shall be compensated from the portion of the buyer's premium. Finance initially denied this item because the agreement also mentions that the Agency will not pay any portion of this premium. During the Meet and Confer process, the Agency clarified that the agreement does not state that the buyer's premium would cover due diligence-related costs such as preliminary title reports and valuation reports. These costs are to be paid prior to or during closing by the Agency. Therefore, this item is eligible for RPTTF funding.

- Item No. 143 – Metrolink Southern California Regional Rail Authority totaling $198,589 in Other Funds. Finance continues to deny this item. It is our understanding that this agreement is between the City and multiple third parties, and the former RDA is not a party to the contract. 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 (Disney) 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 (OPA) dated December 12, 2000, between the former RDA and Disney. The Agency did not provide any agreements that were entered into between the former RDA and Metrolink.

During the Meet and Confer process, the Agency stated that to satisfy the Settlement Agreement between the City and Metrolink, the former RDA transferred $2,000,000 to an escrow account, which was to be used to complete the public infrastructure projects earmarked in the Disney OPA and the City's Development Agreement. The Agency also provided the Escrow Agreement between the City and Metrolink related to the $2,000,000 deposit; the former RDA was not a party to this agreement. However, as previously stated, the Agency has not provided any agreements that were entered into between the former RDA and Metrolink to support the amount being requested for payment to Metrolink. Therefore, this item is not an enforceable obligation and is not eligible for Other Funds.

However, Finance notes that it is unclear if the Agency has access to the remaining funds in the escrow account because the account was established pursuant to a City agreement. Due to the uncertainty of the availability of these funds, Finance will not reclassify other enforceable obligations to these Other Funds at this time.

In addition, per Finance's letter dated April 17, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 26 – Parks Set-aside Payment for the Legendary Tower Project to the City of Glendale (City) in the amount of $1,500,000 is not an enforceable obligation. No documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as the executed contract and breakdown of amounts requested to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

- Item No. 36 – Professional service contract with AECOM in the amount of $5,000. It is our understanding, the professional services is associated with the Paseo/Parking Lot Bond funded project, identified as Item No. 106. The Agency requested funding from RPTTF. However, it is also our understanding that this cost is an expense needed for the support of the project that is being funded with bond proceeds. Since this project is funded with bond proceeds, the cost associated with this project should also be funded with bond proceeds. Therefore, $5,000 requested for this line item is not eligible for RPTTF and has been reclassified to Bond Proceeds.

- Item No. 139 – 2013 Refunding Tax Allocation Bonds in the amount of $5,938,150. The Agency requests $4,681,976 of RPTTF and $1,256,174 of Other Funds for this obligation. However, based on clarification from the Agency, the Agency believes they possess $1,000,000 in excess Reserves Balances available. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of $3,681,976, Other Funds in the amount of $1,256,174, and the use of Reserve Balances in the amount of $1,000,000, totaling $5,938,150.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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.

In addition, Finance noted on the ROPS 14-15A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following item:

- Reserve Balances in the amount of $60,219 – Item No. 13

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, these items were determined to be enforceable obligations for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 15-16A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Other Funds were previously expended, the increase in authorization should not result in increased expenditures, but should merely allow the Agency to reconcile actual expenditures to the authorization.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your OB and Finance prior to making payments on enforceable obligations.

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 15-16A. The Agency's maximum approved RPTTF distribution for the reporting period is $4,153,130 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		9,853,488
Total RPTTF requested for administrative obligations		250,000
Total RPTTF requested for obligations on ROPS	**$**	**10,103,488**
Total RPTTF requested for non-administrative obligations		**9,853,488**
Denied Items		
Item No. 26		(75,000)
Item No. 45		(18,672)
Item No. 75		(29,203)
Item No. 84		(34,583)
Item No. 89		(4,333,786)
Item No. 91		(6,127)
Item No. 144		(12,470)
		(4,509,841)
Reclassified Item		
Item No. 18		(26,000)
Item No. 36		(5,000)
		(31,000)
	$	**5,312,647**
Cash Balances - Item reclassified to Reserve Balances		
Item No. 139		(1,000,000)
Total RPTTF authorized for non-administrative obligations	**$**	**4,312,647**
Total RPTTF authorized for administrative obligations	**$**	**250,000**
Total RPTTF authorized for obligations	**$**	**4,562,647**
ROPS 14-15A prior period adjustment		(409,517)
Total RPTTF approved for distribution	**$**	**4,153,130**

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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) 445-3274.

Sincerely,

JUSTYN HOWARD
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