



April 10, 2015

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

Dear Ms. Carreon:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Irwindale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on March 2, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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 No. 6 – Property Tax Audit and Information Services in the amount of \$154,000. The Agency requests \$5,000 in Redevelopment Property Tax Trust Fund (RPTTF). Although enforceable, this type of service is considered general administrative costs and has been reclassified.
- Item No. 30 – City loan repayment in the amount of \$3,446,082. Finance continues to deny obligation. 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 our 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 additional supporting documents needed to establish the loan as an enforceable obligation. Therefore, this item is not eligible for RPTTF funding.

- Item No. 31 – Housing administrative cost allowance pursuant to AB 471 in the amount of \$600,000. Finance continues to deny this 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 redevelopment agency of the City of Irwindale (City) is the City-formed Housing Authority (Authority) the Authority operates under the control of the City. Therefore, \$75,000 of housing successor administrative allowance from RPTTF is not allowed.

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 sufficient financial records that displayed available Other Funds totaling \$786,348.

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. 3 – 2005 Taxable Housing Parity Bonds in the amount of \$1,318,823. The Agency requests \$1,318,823 of RPTTF; however, Finance is reclassifying \$786,348 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$786,348 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$532,475 and the use of Other Funds in the amount of \$786,348, totaling \$1,318,823.

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.

Except for the items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$4,053,915 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	6,757,449
Total RPTTF requested for administrative obligations	160,000
Total RPTTF requested for obligations on ROPS	\$ 6,917,449
Total RPTTF requested for non-administrative obligations	6,757,449
<u>Denied Items</u>	
Item No. 30	(1,404,255)
Item No. 31	(75,000)
	(1,479,255)
<u>Reclassified Item</u>	
Item No. 6	(5,000)
	\$ 5,273,194
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 3	(786,348)
Total RPTTF authorized for non-administrative obligations	\$ 4,486,846
Total RPTTF requested for administrative obligations	160,000
<u>Reclassified Item</u>	
Item No. 6	5,000
Total RPTTF authorized for administrative obligations	\$ 165,000
Total RPTTF authorized for obligations	\$ 4,651,846
ROPS 14-15A prior period adjustment	(597,931)
Total RPTTF approved for distribution	\$ 4,053,915

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the amounts reported except for the beginning balances for Bond Proceeds, Reserve Funds, Other Funds, and RPTTF. Therefore, as noted above, Finance has reclassified the available cash balances (\$786,348) that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

Please refer to the ROPS 15-16A 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 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 Kylie Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
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