DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 13, 2015

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 15-16A) to the California Department of Finance (Finance) on March 3, 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. 45 – Quad DDA in the amount of $1,065,000 is partially denied. It is our understanding; the estimate provided would only necessitate a November payment in the amount of $349,874. Therefore, the excess $715,126 ($1,065,000-$349,874) of Redevelopment Property Tax Trust Fund (RPTTF) requested is denied.

- Item No. 68 – Whittwood OPA in the amount of $815,000 is partially denied. It is our understanding; the estimate provided would only necessitate a November payment in the amount of $274,037. Therefore, the excess $540,963 ($815,000-$274,037) of RPTTF requested is denied.

- Item No. 118 – Housing administrative costs allowance pursuant to AB 471 totaling $225,000 continues to be denied. 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), the Authority operates under the control of the City. Therefore, $225,000 of housing successor administrative allowance is not allowed.

In addition, Finance made the following determination:

- Review of ROPS 15-16A included Agency's Oversight Board (OB) Resolution Nos.15-04 and 15-05, approving agreements to transfer the remaining housing and non-housing

excess bond proceeds to the City. Finance approves the expenditure and transfer of the bond proceeds for both housing and non-housing to the City, listed as Item Nos. 123 and 124 on ROPS 15-16A.

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 demonstrated available Other Fund Balances totaling $9,710.

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

- Item No. 78 – Property Maintenance in the amount of $8,000 in RPTTF. Finance is reclassifying $8,000 to Other Fund Balances. 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 $9,710 available in Other Funds. Therefore, Finance is approving the use of Other Fund Balances in the amount of $8,000.

- Item No. 114 – Consulting Services in the amount of $2,063. The Agency requests $2,063 of RPTTF; however, Finance is reclassifying $1,710 to Other Fund Balances. 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 $9,710 in available Other Fund Balances. Therefore, Finance is approving RPTTF in the amount of $353 and the use of Other Fund Balances in the amount of $1,710, totaling $2,063.

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 items that have 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 $3,592,998 as summarized in the Approved RPTTF Distribution table below:

| Approved RPTTF Distribution<br>For the period of July through December 2015 | | |
|---|---|---|
| Total RPTTF requested for non-administrative obligations | | 5,024,850 |
| Total RPTTF requested for administrative obligations | | 125,000 |
| **Total RPTTF requested for obligations on ROPS** | **$** | **5,149,850** |
| | | |
| **Total RPTTF requested for non-administrative obligations** | | **5,024,850** |
| Denied Items | | |
| Item No. 45 | | (715,126) |
| Item No. 68 | | (540,963) |
| Item No. 118 | | (225,000) |
| | | (1,481,089) |
| | **$** | **3,543,761** |
| Cash Balances - Items classified to Other Funds | | |
| Item No. 78 | | (8,000) |
| Item No. 114 | | (1,710) |
| | | (9,710) |
| **Total RPTTF authorized for non-administrative obligations** | **$** | **3,534,051** |
| | | |
| **Total RPTTF authorized for administrative obligations** | **$** | **125,000** |
| | | |
| **Total RPTTF authorized for obligations** | **$** | **3,659,051** |
| ROPS 14-15A prior period adjustment | | (66,053) |
| **Total RPTTF approved for distribution** | **$** | **3,592,998** |

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 records partially support the amounts reported. 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 Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
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