DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 6, 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 15-16B) to Finance on September 24, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 6, 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 November 19, 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 determination being disputed.

- Item No. 140 – Housing Administrative Cost Allowance in the amount of $350,739. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Glendale (City) is the City-formed Housing Authority (Authority), the Authority operates under the control of the City and is considered the City under Dissolution Law (ABx1 26 and AB 1484).

  The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the

Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for $350,739 of housing successor administrative allowance requested for ROPS 15-16B.

The Agency also contested Item No. 89 during the Meet and Confer. However, pursuant to HSC section 34177 (m) (1), items that are the subject of litigation disputing Finance's previous or related determination are not eligible for meet and confer. As such, we continue to make the following determination:

- Item No. 89 – Cooperation and Reimbursement Agreements with a total outstanding amount of $44,302,760 is not allowed. This obligation was denied in Finance's May 20, 2015 ROPS 15-16A Meet and Confer determination letter and while the Agency did not request funding for the upcoming six-month period, Finance continues to deny this line item.

  Specifically, Finance denied the payment plan associated with Item No. 89 in our November 6, 2015 OB Resolution No. OSB-35 determination letter. The payment plan contemplated in OB Resolution No. OSB-35 assumes all of the underlying agreements qualify as loans as defined in statute. However, it is unclear whether any of the agreements included within the loan repayment schedule qualify as loans eligible for repayment under HSC section 34191.4. As such, the single loan repayment plan was denied and Finance continues to deny this item on the ROPS.

Furthermore, per Finance's letter dated November 6, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 143 – Metrolink Southern California Regional Rail Authority totaling $28,611 in Other Funds continues to be denied. This line item was denied in our December 7, 2014 ROPS 14-15B and May 20, 2015 ROPS 15-16A Meet and Confer determination letters. 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. Therefore, this item is not an enforceable obligation and is not eligible for Other Funds.

Finance notes 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 these Other Funds to pay for other enforceable obligations at this time.

- Item No. 145 – Litigation costs in the amount of $100,000 in Reserve Funds is not allowed. This item relates to the Agency contesting Finance's determination for Item No. 89. Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to contesting the validity of the dissolution law shall only be payable out of the administrative cost. Therefore, the requested amount of $100,000 is considered an administrative cost and has been reclassified.

- Claimed administrative costs exceed the allowance by $74,633.
  HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of the Redevelopment Property Tax Trust Fund (RPTTF) funds allocated to the Redevelopment Obligation Retirement Fund for the fiscal year, or $250,000, whichever is greater. As a result, the Agency is eligible for $289,212 for fiscal year 2015-16. The Los Angeles County Auditor-Controller (CAC) distributed $250,000 in administrative costs for the July through December 2015 period, thus leaving a balance of $39,212 available for the January through June 2016 period. Although only $12,259 is requested for administrative costs, Item No. 51 for project file storage in the amount of $1,586 and Item No. 145 for litigation cost in the amount of $100,000 are considered general administrative costs and should be counted toward the cap. Therefore, $74,633 of excess administrative cost is not allowed.

Lastly, the funding source for following item has been reclassified in the amounts specified on the next page:

- Item No. 148 – 2011 Bond debt service reserves in the amount of $997,342 due December 1, 2016. The Agency requests $125,000 of Other Funds and $872,342 of RPTTF for this obligation. Reserve Funds totaling $101,586 are now available from reclassifying Item Nos. 51 and 145 to administrative cost. This item is an enforceable obligation for the ROPS 15-16B period. However, the obligation does not require payment from property tax revenues. As such, Finance is reclassifying $101,586 of the requested RPTTF to Reserve Funds. Therefore, Finance is approving RPTTF in the amount of $770,756, the use of Reserve Funds in the amount of $101,586, and the use of Other Funds in the amount of $125,000, totaling $997,342.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the CAC. The amount of RPTTF approved in the table on the following page 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 15-16B. The Agency's maximum

approved RPTTF distribution for the reporting period is $4,191,527 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of January through June 2016		
Total RPTTF requested for non-administrative obligations		4,780,070
Total RPTTF requested for administrative obligations		12,259
Total RPTTF requested for obligations on ROPS 15-16B	**$**	**4,792,329**
Total RPTTF requested for non-administrative obligations		**4,780,070**
Denied Item		
Item No. 140		(350,739)
Reclassified Item		
Item No. 148		(101,586)
Total RPTTF authorized for non-administrative obligations	**$**	**4,327,745**
Total RPTTF requested for administrative obligations		**12,259**
Reclassified Items		
Item No. 51		1,586
Item No. 145		100,000
		101,586
Administrative costs in excess of the cap (see Admin Cost Cap table below)		(74,633)
Total RPTTF authorized for administrative obligations	**$**	**39,212**
Total RPTTF authorized for obligations	**$**	**4,366,957**
ROPS 14-15B prior period adjustment		(175,430)
Total RPTTF approved for distribution	**$**	**4,191,527**

Administrative Cost Cap Calculation		
Total RPTTF for 15-16A (July through December 2015)		5,312,646
Total RPTTF for 15-16B (January through June 2016)		4,327,745
Total RPTTF for fiscal year 2015-2016		**9,640,391**
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or $250,000)		289,212
Administrative allowance for ROPS 15-16A (July through December 2015)		(250,000)
Remaining administrative cost cap for ROPS 15-16B		**39,212**
ROPS 15-16B administrative obligations after Finance adjustments		(113,845)
Administrative costs in excess of the cap	**$**	**(74,633)**

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

http://www.dof.ca.gov/redevelopment/ROPS

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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