



November 13, 2015

Mr. Paul Philips, City Manager  
City of Industry  
15625 E Stafford Street  
City of Industry, CA 91744

Dear Mr. Philips:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Industry Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 2, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 195 and 289 – Infrastructure consulting and contracting services totaling \$27,815,504 is not allowed. The Agency requests \$15,050,000 of Other Funds for the six-month period. Finance determined the Industry Business Center 2005 Lease Agreement (2005 Lease) is an enforceable obligation per our letter dated February 20, 2013. As part of the 2005 Lease the former redevelopment agency (RDA) agreed to be responsible for specific public improvements. However, contracts for these services have not been executed and/or properly approved; therefore, these items are not eligible for Other Funds at this time. Once contracts have been executed and approved by the Oversight Board and Finance, the Agency should list them on future ROPS for funding.
- Item No. 213 – Sewer annexation fees in the amount of \$240,000 are partially allowed. The Agency requests \$240,000 of Other Funds for the six-month period. However, documentation provided by the Agency indicates the sewer annexation fee is \$217,921. Therefore, the excess \$22,079 is not an enforceable obligation and not eligible for Other Funds.
- Item No. 291 – Right of way and construction costs in the amount of \$2,877,094 are not allowed. The Agency requests \$1,400,000 for the six-month period. It is our understanding in connection with the 1999 Lease Agreement for Industry East and the 2005 Lease, the City of Walnut's (Walnut) improvement costs were to be funded by the RDA. Since Walnut already funded these improvements costs, the Agency proposes to pay alternate improvement costs that are not part of the Lease Agreements. Since the proposed alternative improvements are not required by an existing enforceable obligation, this item is not eligible for Other Funds on the ROPS.

- Item No. 293 – Compliance and monitoring fees in the amount of \$100,000 are not allowed. It is our understanding the State Water Resources Control Board (SWRCB) has requested the Agency perform storm water monitoring activities on Agency owned property. Therefore, the Agency has requested Other Funds to contract with a third party to comply with the SWRCB request. However, it is our understanding a contract has not been executed for the monitoring services; as such, this is not an enforceable obligation and not eligible for Other Funds at this time.

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 county auditor-controller (CAC). The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table on the next page 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 Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Bond Proceeds totaling \$163,078 – Item No. 117, \$68,555; Item No. 133, \$87,654; Item No. 134, \$1,389; and Item No. 227, \$5,480.
- Other Funds totaling \$30,686,341 – Item No. 22, \$5,000; Item No. 193, \$285,452; Item No. 196, \$257,407; Item No. 200, \$2,605; Item No. 205, \$9,538; Item No. 208, \$2,285; Item No. 221, \$64,837; Item No. 257, \$11,917; Item No. 259, \$41,229; Item No. 270, \$14,857,914; and Item No. 271, \$15,148,157.

Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$80,767,580 as summarized in the Approved RPTTF Distribution table on the following page:

<b>Approved RPTTF Distribution For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	80,767,580
Total RPTTF requested for administrative obligations	0
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 80,767,580</b>
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 80,767,580</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 80,767,580</b>
ROPS 14-15B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 80,767,580</b>

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 (I) (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>

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, 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.

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Please direct inquiries to Kylie Oltmann, Supervisor, or Zuber Tejani, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Mr. Dean Yamagata, Contracted Finance Manager, City of Industry  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County