

December 17, 2015

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

Dear Ms. Carreon:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 22, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Irwindale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on September 22, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on October 22, 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 30, 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 31 – Housing Authority Administrative Costs in the amount of \$600,000. 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 Irwindale (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 \$75,000 of housing successor administrative allowance requested for ROPS 15-16B.

The Agency also contested Item No. 30 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 30 – City loan repayment with a total outstanding balance of \$3,446,082 continues to be denied. 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 and the ROPS 15-16B funding request of \$2,104,902 is denied.

In addition, per Finance's letter dated October 22, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 7 – Fiscal Agent Fees in the amount of \$13,200 is partially allowed. The Agency provided documentation to support \$9,425. Therefore the excess \$3,775 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 11 – Bond Reserve Obligations. Per the Agency's request, the six-month funding request of zero in RPTTF has been increased to \$5,293,987.
- Claimed administrative costs exceed the allowance by \$72,315. HSC section 34171 (b) (2) limits the fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Los Angeles Auditor-Controller's Office distributed \$165,000 for the July through December 2015 period, thus leaving a balance of \$232,144 available for the January

through June 2016 period. Although \$304,459 is claimed for administrative cost due to the Agency's request to increase the six-month funding by \$158,820, only \$232,144 is available pursuant to the cap. Therefore, \$72,315 of excess administrative cost is not allowed.

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 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.

Except for the items denied in whole or in part, 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 \$8,176,633 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	4,854,636
Total RPTTF requested for administrative obligations	145,639
Total RPTTF requested for obligations on ROPS 15-16B	\$ 5,000,275
RPTTF adjustment to non-administrative obligations	5,293,987
RPTTF adjustment to administrative obligations	158,820
Total RPTTF adjustments	\$ 5,452,807
Total RPTTF requested for non-administrative obligations	10,148,623
<u>Denied Items</u>	
Item No. 7	(3,775)
Item No. 30	(2,104,902)
Item No. 31	(75,000)
	(2,183,677)
Total RPTTF authorized for non-administrative obligations	\$ 7,964,946
Total RPTTF requested for administrative obligations	304,459
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(72,315)
Total RPTTF authorized for administrative obligations	\$ 232,144
Total RPTTF authorized for obligations	\$ 8,197,090
ROPS 14-15B prior period adjustment	(20,457)
Total RPTTF approved for distribution	\$ 8,176,633

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	5,273,194
Total RPTTF for 15-16B (January through June 2016)	7,964,946
Total RPTTF for fiscal year 2015-2016	13,238,140
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	397,144
Administrative allowance for ROPS 15-16A (July through December 2015)	(165,000)
Remaining administrative cost cap for ROPS 15-16B	232,144
ROPS 15-16B administrative obligations after Finance adjustments	(304,459)
Administrative costs in excess of the cap	\$ (72,315)

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 Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Dominique Clark, Consultant, City of Irwindale
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County