



November 13, 2015

Mr. Tom Weiner, Community Development Director
City of Walnut
PO Box 682
Walnut, CA 91788-0682

Dear Mr. Weiner:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Walnut 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 1, 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 No. 3 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$90,928 is partially allowed. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the County Auditor-Controller's (CAC) report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are zero and \$77,172, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for 2015-16 is \$38,583. Finance approved the requested maximum repayment amount of \$38,583 during ROPS 15-16A; however, the CAC distributed zero for this item. Therefore, of the requested \$90,928, comprised of \$175 of Reserve Funds, \$1,409 of Other Funds, and \$89,344 of Redevelopment Property Tax Trust Fund (RPTTF), only \$38,583 is eligible for repayment on this ROPS. The excess of \$52,342 from RPTTF is not eligible for funding on this ROPS. The Agency may be eligible for additional funding in a subsequent fiscal year.

- Item No. 10 – Reserves for Trustee fees in the amount of \$5,000 are not allowed. This line item is comprised of reserves for the administrative costs of \$125,000 and trustee fees of \$5,000 for the next ROPS period due to the Agency's tax increment cap of \$4,000,000 per fiscal year. Pursuant to HSC section 34189 (a), agencies are not subject to tax increment limitations. Therefore, the \$5,000 in reserves for Trustee fees is not

allowed. To the extent the Agency requires funding for this obligation, the Agency may be able to obtain RPTTF on future ROPS.

- Item No. 12 – Housing administrative costs in the amount of \$300,000. Finance continues to deny this item as an enforceable obligation. This item was previously denied in Finance's ROPS 14-15B Meet and Confer, ROPS 15-16A, and ROPS 15-16A Meet and Confer determination letters and the Agency has not provided any new supporting documentation. 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 Walnut (City) is the City-formed Housing Authority (Authority), the Authority operates under the control of the City. Therefore, \$300,000 of housing successor administrative allowance is not allowed.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board has approved an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

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. 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,849,476 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	4,006,644
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 4,256,644
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Total RPTTF requested for non-administrative obligations	4,006,644
Denied Items	
Item No. 3	(52,342)
Item No. 10	(5,000)
Item No. 12	(300,000)
	<hr/> (357,342)
Total RPTTF authorized for non-administrative obligations	\$ 3,649,302
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 3,899,302
ROPS 14-15B prior period adjustment	(49,826)
Total RPTTF approved for distribution	\$ 3,849,476

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>

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: Ms. Cheryl Murase, HdL-Fiscal Consultant, City of Walnut
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County