

December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 10, 2015. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Whittier Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16B) to Finance on October 1, 2015, for the period of January 1 through June 30, 2016. Finance issued a ROPS determination letter on November 10, 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 23, 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 No. 45 – Quad Disposition and Development Agreement in the amount of \$730,000 is partially allowed. Finance continues to approve \$364,000 and deny \$366,000. The Agency requests \$730,000 of Redevelopment Property Tax Trust Fund (RPTTF) for the six-month period comprised of \$364,000 due May 2016 and \$366,000 due November 2016. However, of the \$730,000 requested only \$364,000 is payable this ROPS period. Therefore, the excess \$366,000 is not eligible for RPTTF funding on this ROPS. The Agency may request funding for the excess \$366,000 on the next ROPS.

During the Meet and Confer process, the Agency contended that the Agency may not be able to pay this item if the plan limit is reached between the time the RPTTF is generated and the time it is paid under the agreement. However, pursuant to HSC section 34189 (a), for the purposes of the payment of enforceable obligations, a successor agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in HSC sections 33333.2, 33333.4, and 33333.6. Therefore, enforceable obligations listed on the ROPS will continue to be payable out of available RPTTF until such obligations have been satisfied regardless of plan limits.

- Item No. 68 – Whittwood Owner Participation Agreement in the amount of \$585,000 is partially allowed. Finance continues to approve \$286,000 and deny \$299,000. The

Agency requests \$585,000 of RPTTF for the six-month period comprised of \$286,000 due May 2016 and \$299,000 due November 2016. However, of the \$585,000 requested only \$286,000 is payable this ROPS period. Therefore, the excess \$299,000 is not eligible for RPTTF funding on this ROPS. The Agency may request funding for the excess \$299,000 on the next ROPS.

During the Meet and Confer process, the Agency contended that the Agency may not be able to pay this item if the plan limit is reached between the time the RPTTF is generated and the time it is paid under the agreement. However, pursuant to HSC section 34189 (a), for the purposes of the payment of enforceable obligations, a successor agency is not subject to the limitations relating to time, number of tax dollars, or any other matters set forth in HSC sections 33333.2, 33333.4, and 33333.6. Therefore, enforceable obligations listed on the ROPS will continue to be payable out of available RPTTF until such obligations have been satisfied regardless of plan limits.

- Item No. 118 – Housing administrative costs allowance totaling \$300,000 was denied. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p) (1), 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 RDA elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Whittier (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 elect to retain the housing functions pursuant to HSC section 34176 (b) (2) 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. The “city” definition under HSC section 34167.10 (a) states that it is for the purpose of Part 1.85 (commencing with Section 34170), 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 \$300,000 of housing entity administrative allowance.

In addition, per Finance’s letter dated November 10, 2015, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 129 – Unfunded Pension Liability in the amount of \$100,000 is not an enforceable obligation at this time. No documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as the actuarial valuation and/or calculated estimates to support the requested funding, the Agency may be able to obtain RPTTF.

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 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, 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 \$2,926,594 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 | 3,905,344 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF requested for obligations on ROPS 15-16B | \$ 4,030,344 |
| Total RPTTF requested for non-administrative obligations | 3,905,344 |
| <u>Denied Items</u> | |
| Item No. 45 | (366,000) |
| Item No. 68 | (299,000) |
| Item No. 118 | (300,000) |
| Item No. 129 | (100,000) |
| | (1,065,000) |
| Total RPTTF authorized for non-administrative obligations | \$ 2,840,344 |
| Total RPTTF authorized for administrative obligations | \$ 125,000 |
| Total RPTTF authorized for obligations | \$ 2,965,344 |
| ROPS 14-15B prior period adjustment | (38,750) |
| Total RPTTF approved for distribution | \$ 2,926,594 |

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. Ben Pongetti, Development Project Manager, City of Whittier
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County