



April 13, 2016

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

Dear Mr. Weiner:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Walnut Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

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 in the amount of \$64,685 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 Los Angeles County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2015-16 are zero and \$63,101, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is \$31,551. As such, the excess \$33,134 (\$64,685 - \$31,551) is not allowed. The Agency may be eligible for additional funding in a subsequent fiscal year.

- Item No. 11 – 2013 Tax Allocation Bond in the amount of \$3,800,475 for the fiscal year is partially allowed. The Agency requests \$3,611,650 for debt service from Redevelopment Property Tax Trust Fund (RPTTF) for the January 1, 2017 through June 30, 2017 (ROPS B period); however, only \$3,488,825 is due for the ROPS B period. Therefore, the excess \$122,825 (\$3,611,650 - \$3,488,825) is not eligible for RPTTF funding.
- Item No. 12 – Housing Administrative costs in the amount of \$450,000. 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, ROPS 15-16A Meet

and Confer and ROPS 15-16B 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, \$450,000 of housing successor administrative allowance is not allowed.

- Item Nos. 13 and 15 – Unfunded Pension Liabilities in the amount of \$25,000 and \$5,000, respectively, is not allowed. No documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as the executed contract or actuarial analysis to support the requested funding, the Agency may be able to obtain RPTTF funding on a future ROPS.
- 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.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,650,126 as summarized in the Approved RPTTF Distribution table on page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through

December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

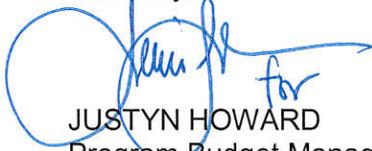
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard', with a large circular flourish on the left side. The signature is written over the printed name and title.

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

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 473,185	\$ 3,687,900	\$ 4,161,085
Requested Administrative RPTTF	0	125,000	125,000
Total RPTTF requested for obligations on ROPS 16-17	473,185	3,812,900	\$ 4,286,085
Total RPTTF Requested	473,185	3,687,900	4,161,085
Denied Items			
Item No. 3	(33,134)	0	(33,134)
Item No. 11	0	(122,825)	(122,825)
Item No. 12	(375,000)	(75,000)	(450,000)
Item No. 13	(25,000)	0	(25,000)
Item No. 15	(5,000)	0	(5,000)
	(438,134)	(197,825)	(635,959)
Total RPTTF authorized	35,051	3,490,075	\$ 3,525,126
Total Administrative RPTTF authorized	0	125,000	\$ 125,000
Total RPTTF approved for distribution	35,051	3,615,075	\$ 3,650,126