



May 17, 2016

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

Dear Mr. Philips:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Industry Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 29, 2016. Finance issued a ROPS determination letter on April 12, 2016. 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 April 26, 2016.

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 Nos. 99 and 100 – Landscaping Baker Slopes using various vendors for payments totaling \$42,000. During the Meet and Confer process, the Agency noted that they inadvertently requested the incorrect funding source. Therefore, we have changed the funding source from Bond Proceeds to Other Funds.
- Item Nos. 206 and 281 – Materials, consulting services, and utility installation costs totaling \$13,929,600 of Other Funds for the ROPS 16-17 period. Finance continues to reduce funding for this item to \$0. 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, Finance initially denied these items because contracts for these services have not been executed and/or properly approved. Based on information provided during the Meet and Confer process, it is our understanding the utility companies involved in these two projects, Southern California Edison and Industry Public Utilities Commission, will have agreements prepared later this summer. Once agreements have been executed, the Agency should list them on the amended ROPS 16-17 or a future ROPS for funding. Therefore, the amount of Other Funds for these items is reduced to \$0.

- Item No. 253 – Industry East Traffic Mitigation Improvement costs totaling \$1,500,000 of Other Funds for the ROPS 16-17 period. Finance continues to reduce funding for this item to \$0. Finance previously determined the 2005 Lease is an enforceable obligation per our letter dated February 20, 2013. As part of the 2005 Lease, the RDA agreed to be responsible for specific public improvements. The project is a large development and is affecting surrounding cities.

During the Meet and Confer process, the Agency provided an executed professional services agreement with RKA Consulting Group for \$1,049,405 for design and preparation of street intersection plans dated March 10, 2015. The scope of services includes six intersections and five out of the six intersections are located outside of the City of Industry in other cities, such as the City of Walnut. According to the Agency, the City of Walnut does not have the money to pay for their share of the mitigation projects required by the California Environmental Quality Act (CEQA). As a result, the Agency stated that they are taking on the responsibility of intersection improvements in other cities and cited CEQA as the agreement requiring it to construct the improvements. However, the Industry Business Center Environmental Impact Report (EIR) states that some improvements are located outside the jurisdiction of the City of Industry and would require the cooperation and funding of other agencies, including but not limited to Caltrans, County of Los Angeles and Cities of Diamond Bar, Pomona, West Covina, and Walnut. There are currently no agreements in place with the other cities to have them provide funding for the improvements and there is no obligation in the EIR specifying that the Agency is to fund the improvements from its own resources. Therefore, the \$1,500,000 requested in Other Funds is not eligible for the ROPS 16-17 period.

- Item No. 276 – Property landscape maintenance cost in the amount of \$228,000 of Other Funds for the ROPS 16-17 period. Finance continues to partially allow this item. During the Meet and Confer process, the Agency provided additional clarification on the Marina Landscape Maintenance, Inc. Agreement (Agreement) dated January 21, 2015. The Agency contended that the total Agreement amount of \$445,290 includes irrigation repair/replacement and landscape replacement costs, in addition to the monthly maintenance fee. However, HSC section 34177.3 (b) specifically excludes planning, redesign or design, demolition, alteration, or construction, construction financing, site remediation, site development or improvement, land clearances, and seismic retrofits from the work of winding down the former RDA. The irrigation repair/replacement and landscape replacement costs are considered construction or alterations, which are specifically excluded and are not enforceable obligations.

Therefore, the monthly maintenance cost of \$14,350, or \$172,200 annually, is being approved for the ROPS 16-17 period. As such, the excess of \$55,800 (\$228,000 - \$172,200) is not eligible for funding. Specifically, \$38,900 for the July 1, 2016 through December 31, 2016 (ROPS A) period and \$16,900 for the January 1, 2017 through June 30, 2017 (ROPS B) is not allowed.

In addition, per Finance's letter dated April 12, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 164 and 195 – Materials, consulting services, and utility installation costs totaling \$390,504 of Other Funds for the ROPS 16-17 period are not allowed. 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. 269 – Property Maintenance costs in the amount of \$1,472,000 from Other Funds is partially allowed for ROPS 16-17. HSC section 34171 (d) (1) (F) states that agreements necessary for the administration or operation of the Agency, such as the cost of maintaining assets prior to disposition, are enforceable obligations. However, Finance approved the Agency's Long-Range Property Management Plan (LRPMP) on February 21, 2014, which directs several of the properties listed on the LRPMP to be transferred to the City of Industry for governmental use. As such, maintenance costs associated with the Workman and Temple Family Homestead Museum in the amount of \$378,000 and other various unidentified properties in the amount of \$39,500, totaling \$417,500 are not allowed for ROPS 16-17.
- Item Nos. 283 through 288 – 2015 Tax Allocation Revenue Refunding Bonds in the ROPS A period totaling \$55,869,112. The Agency requested funding for these obligations in error and requests to reduce funding to zero. Specifically, the funding necessary to service these bonds was distributed to the Agency during the ROPS 15-16B period. As a result, RPTTF funding for the ROPS A period has been decreased by \$55,869,112.
- Item No. 289 – Mass grading costs in the amount of \$38,000,000 from Other Funds is partially allowed. The contract provided by the Agency indicates the mass grading cost is \$30,237,655; therefore, the excess \$7,762,345 is not an enforceable obligation and not eligible for Other Funds for the ROPS B period.
- Item Nos. 116 through 118, 120 through 123, 126 through 128, 132 through 134, 226, 229, 294, and 295 – Various construction projects totaling \$27,583,960 funded with Bond Proceeds. The Agency received a Finding of Completion on May 9, 2016 and is allowed to expend bond proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the bond covenants. Our approval is specifically limited to the use of excess pre-2011 bond proceeds pursuant to HSC section 34191.4 (c) (1). Therefore, we have changed the various Obligation types to "Bond Funded Project – Pre-2011" Such approval, however, should not be construed as approval of the projects themselves as enforceable obligations.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

The Agency's maximum approved RPTTF distribution for the reporting period is \$81,022,086 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the 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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Michael Barr, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Susan Paragas, Controller, City of Industry
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)	\$ 55,869,112	\$ 81,022,086	\$ 136,891,198
Requested Administrative RPTTF	0	0	0
Total RPTTF requested for obligations on ROPS 16-17	55,869,112	81,022,086	\$ 136,891,198
Adjustment to Agency Requested RPTTF (Items 283-288)	(55,869,112)	0	(55,869,112)
Adjustment to Agency Requested Administrative RPTTF	0	0	0
Total RPTTF adjustments	(55,869,112)	0	\$ (55,869,112)
Total RPTTF requested	0	81,022,086	81,022,086
Total Administrative RPTTF authorized	0	0	\$ 0
Total RPTTF approved for distribution	0	81,022,086	\$ 81,022,086