DEPARTMENT OF FINANCE

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REVISED

December 27, 2012

Ms. Elena Bolbolian, Principal Administrative Officer
City of Glendale
633 E. Broadway, Suite 201
Glendale, CA 91206

Dear Ms. Bolbolian:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Glendale Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 19, 2012.

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 items being disputed.

- Item Nos. 10 and 88 – Loan payments totaling $2.8 million. Finance no longer denies these items. Finance denied the items as it is our understanding the agreements entered into are between the Housing Authority of the City of Glendale (Authority) and a third party. Since the Agency is not a party to the agreements, these items are not enforceable obligations and not eligible for funding on this ROPS. However, additional review indicates the former RDA entered into an agreement with the Authority to make payments on the Authority's indebtedness to the third party, a financial institution. Per HSC section 34171 (d) (2), written agreements between the former RDA and the city at the time of issuance and solely for the purpose of securing or repaying debt may be deemed enforceable. Therefore, Finance determines this item is an enforceable obligation. We also note, item 88 is listed for an unfunded ROPS II amount and requests Low and Moderate Income Housing Funds (LMIHF); however, on the ROPS II, the Agency requested Redevelopment Property Tax Trust Fund (RPTTF) funding. This item was previously approved for RPTTF and since LMIHF no longer exists, RPTTF will be the funding source for both items.

- Item Nos. 9, 23, and 24 – Loan payments totaling $7.16 million. Finance continues to deny the items. Finance denied the items as it is our understanding the agreements entered into are between the Housing Authority of the City of Glendale (Authority) and a third party. Since the Agency is not a party to the agreements, these items are not

enforceable obligations and not eligible for funding on this ROPS. The Agency contends the items are enforceable obligations because these are obligations authorized by the former redevelopment agency (RDA), which the Authority undertook on the former RDA's behalf. However, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. In addition, the former RDA is neither a party to the contracts nor responsible for payment of the contracts as the RDA did not encumber funds from the LMIHF for the contracts for transfer to the housing successor agency on the Housing Assets Transfer form. Furthermore, to the extent the 20 percent set aside was identified for the projects, the funding source no longer exists as the 20 percent set aside is no longer deposited into the LMIHF. Therefore, the items are not enforceable obligations.

- Item Nos. 79 through 81 – Bond funded project payments totaling $17 million. Finance continues to deny the items at this time. Finance denied the items as it is our understanding that contracts are not in place for these line items. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, the items are not eligible for bond funding at this time. However, successor agencies will be eligible to expend bonds issued prior to January 1, 2011, once a finding of completion is received per 34191.4 (c). Those obligations should be reported on a subsequent ROPS.

- Items 29, 31, 33, 35, 46, 47, 51, 52, 77, and 78 for legal expenses, audit services, and storage totaling $540,780 are considered administrative expenses and should be counted toward the cap. Finance continues to reclassify the items as administrative costs. The Agency contends the items are enforceable obligations because the contracts are necessary for the administration or operation of the successor agency. However, the items do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

    - Any litigation expenses related to assets or obligations.
    - Settlements and judgments.
    - The costs of maintaining assets prior to disposition.
    - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

- Claimed administrative costs exceed the allowance by $108,481. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. As a result, the Agency is eligible for $782,297 for administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs during the July through December 2012 period. Although $349,998 is claimed for administrative cost, items 29, 31, 33, 35, 46, 47, 51, 52, 77, and 78 for legal expenses, audit services, and storage totaling $540,780 are considered administrative expenses (as noted above) and should be counted toward the cap. Therefore, $108,481 of excess administrative cost is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $13,945,501 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations **	$	15,416,043
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 23		312,059
Item 24		1,400,000
Item 29*		199,998
Item 31*		12,000
Item 33*		30,000
Item 35*		5,700
Item 46*		18,234
Item 47*		120
Item 51*		15,000
Item 52*		9,726
Item 77*		100,002
Item 78*		150,000
Total approved RPTTF for enforceable obligations	$	13,163,204
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		782,297
Total RPTTF approved:	$	13,945,501

*Reclassified as administrative cost

** This amount represents the original RPTTF requested plus the amount of RPTTF approved for Item 88 (LMIHF previously requested).

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	12,913,360
Total RPTTF for the period January through June 2013		13,163,204
Total RPTTF for fiscal year 2012-13:	**$**	**26,076,564**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		782,297
Administrative allowance for the period of July through December 2012		0
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**782,297**

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. 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 successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Philip Lanzafame, Executive Director, City of Glendale
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office