



May 17, 2017

Ms. Elena Bolbolian, Deputy Director of Community Development
City of Glendale
633 East Broadway, Suite 201
Glendale, CA 91206

Dear Ms. Bolbolian:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 5, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Glendale Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 27, 2017. Subsequently, the Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held April 19, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed:

- Item No. 14 – Disposition and Development Agreement (Laemmie Lofts) in the total outstanding obligation amount of \$78,000 has been retired. It is our understanding the Agency originally requested Redevelopment Property Tax Trust Funds (RPTTF) in the event that existing funding for this item would not be spent by the end of the ROPS 16-17 period. During the Meet and Confer, the Agency confirmed the last payment for this item has been made, and the Agency no longer needs RPTTF funding in the amount of \$78,000 in ROPS 17-18.
- Item No. 89 – Cooperation and Reimbursement Agreements. The Agency originally requested RPTTF in the amount of \$4,060,263, along with Reserve Balances in the amount of \$350,000 and Other Funds in the amount of \$475,000, totaling \$4,885,263 for this item. During the ROPS review, Finance reclassified \$50,065 from Other Funds based on a review of the Agency's Cash Balance Report as described on Page 3. Therefore, the RPTTF portion was reduced to \$4,010,198 (\$4,060,263 - \$50,065).

Subsequently, the Agency received \$3,705,931 in available Other Funds. Therefore, at the Agency's request, Finance is reclassifying an additional \$3,705,931 from Other Funds, and the RPTTF portion is further reduced to \$304,267 (\$4,010,198 - \$3,705,931) for this item. The net RPTTF reduction for this item totals \$3,755,996 (\$50,065 + \$3,705,931).

- Item Nos. 153 and 154 – Expenditures of excess 2011 tax allocation bond proceeds totaling \$10,374,427 for the ROPS 17-18 period is not allowed. The Agency received a Finding of Completion on May 15, 2013 and can now utilize a percentage of proceeds derived from non-housing bonds issued on or after January 1, 2011 in a manner

consistent with the original bond covenants. As such, the Agency desires to transfer five percent of excess 2011 non-housing bond proceeds to the City of Glendale (City) and 100 percent of 2011 housing bond proceeds to the Glendale Housing Authority (Authority) in the amounts of \$1,969,596 and \$8,404,831, respectively.

However, Finance denied Oversight Board Resolution No. OSB-56, approving the execution of the Excess Bond Expenditure Agreement (Agreement) between the City, the Authority, and the Agency to transfer excess 2011 bond proceeds, in our determination letter dated March 10, 2017; the proposed Agreement erroneously included funds that are not considered excess bond proceeds.

The Agency disagrees with Finance's interpretation of HSC section 34176 (g) (1) (A), pertaining to the use of housing bond proceeds, and HSC section 34191.4 (c) (2), pertaining to the use of non-housing bond proceeds.

However, Finance continues to deny Item Nos. 153 and 154 for the following reasons:

Housing Bond Proceeds:

- o HSC section 34176 (a) (2) states that if housing assets are previously pledged to pay bond indebtedness then the Agency shall maintain control of the asset in order to pay for bond debt. Article IV, Section 4.01 of the 2011 Indenture of Trust states that the bonds are secured by a first pledge of all moneys in the Reserve Account. This has been communicated to the Agency in Finance's Housing Assets Transfer determination letter dated February 6, 2013, wherein the objection of the transfer of the 2011 Tax Allocation Bond Reserves maintained by the fiscal agent was pursuant to HSC section 34176 (a) (2).
- o HSC section 34176 (g) (1) (A) states that the housing successor may use and commit indebtedness obligation proceeds that remain after the satisfaction of enforceable obligations that have been approved on a ROPS. It also states the Legislature's intent is to authorize the housing successor to designate the use of and commit 100 percent of indebtedness obligation proceeds described in this subparagraph. The proceeds described in the subparagraph clearly do not include amounts needed to satisfy enforceable obligations. Not only is the Reserve Account required to be held under the Indenture, Article IV, Section 4.03 (c) of the 2011 Indenture of Trust allows the Agency to use moneys in the Reserve Account towards the payment of the principal or redemption price of the bonds. HSC section 34177 (l) (1) (E) requires all funding sources to be used prior to RPTTF. Therefore, the Reserve Account must be used pursuant to HSC section 34177 (l) (1) (E). Finance also communicated this to the Agency in our determination letter dated March 10, 2017, wherein OB Resolution No. OSB-56 was denied.

Non-Housing Bond Proceeds:

- o HSC section 34191.4 (c) (2) allows a percentage of bond proceeds derived from bonds issued on or after January 1, 2011, in excess of amounts needed to satisfy approved enforceable obligations, to be expended in a manner consistent with the original bond covenants. Article IV, Section 4.03 (c) of the 2011 Indenture of Trust allows the Agency to use moneys in the Reserve Account towards the payment of

allows the Agency to use moneys in the Reserve Account towards the payment of the principal or redemption price of the bonds. This clearly states that the Reserve Account be maintained at the required level until the bonds mature or are scheduled to be redeemed. Therefore, the Reserved Account must be used pursuant to HSC section 34191.4 (c) (2). Finance also communicated this to the Agency in the determination letter dated March 10, 2017, wherein OB Resolution No. OSB-56 was denied.

Therefore, since the calculation of the available bond proceeds for both the Housing and Non-Housing Bond Proceeds included the Reserve Account, the requested expenditures of excess 2011 tax allocation bond proceeds totaling \$10,374,427 for the ROPS 17-18 period is not allowed at this time.

In addition, per Finance’s letter dated April 5, 2017, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item Nos. 55 and 141 – Property disposition costs totaling \$34,000 are not allowed. It is our understanding the City is currently exploring the option of purchasing the Agency’s remaining property on Maryland Avenue approved for sale on the Agency’s Long-Range Property Management Plan. As the Agency works with the City to determine the City’s purchase options, the Agency states funding for these items is not required. Therefore, the requested amount of \$34,000 (\$24,000 + \$10,000) in RPTTF funding is not allowed on the current ROPS.
- On the ROPS 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), the Agency is required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF.

Therefore, with the Agency’s concurrence, the funding source for the following item has been reclassified from RPTTF to Other Funds in the amount specified below:

Item No.	Project Name/Debt Obligation	RPTTF Requested	Amount Reclassified to Other Funds	RPTTF Authorized
89	Cooperation and Reimbursement Agreements (City/Agency Loan)	\$4,060,263	\$50,065	\$4,010,198

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency’s maximum approved RPTTF distribution for the reporting period is \$17,908,759 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance approved amounts. Since Finance’s

determination is for the entire ROPS 17-18 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 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

This is Finance's final determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

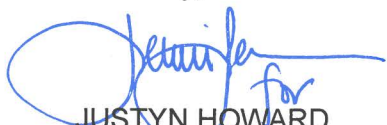
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Medy Lamorena, Lead Analyst, at (916) 322-2985.

Sincerely,


JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cassandra Pruet, Senior Administrative Officer, City of Glendale
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 2017 through June 2018			
	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	\$ 10,720,605	\$ 10,739,510	\$ 21,460,115
Administrative RPTTF Requested	158,320	158,320	316,640
Total RPTTF Requested	10,878,925	10,897,830	21,776,755
RPTTF Requested	10,720,605	10,739,510	21,460,115
<u>Adjustments</u>			
Item No. 14	(78,000)	0	(78,000)
Item No. 55	(12,000)	(12,000)	(24,000)
Item No. 89	(3,755,996)	0	(3,755,996)
Item No. 141	(10,000)	0	(10,000)
	<u>(3,855,996)</u>	<u>(12,000)</u>	<u>(3,867,996)</u>
RPTTF Authorized	6,864,609	10,727,510	17,592,119
Administrative RPTTF Authorized	158,320	158,320	316,640
Total RPTTF Approved for Distribution	\$ 7,022,929	\$ 10,885,830	\$ 17,908,759