



November 1, 2013

Mr. Omar Dadabhoy, Community Development Director
City of Stanton
7800 Katella Avenue
Stanton, CA 90680

Dear Mr. Dadabhoy:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stanton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 19, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 33 – David Voltz Park Design contract in the amount of \$300,000, payable from Bond Funds. This contract is between the City of Stanton (City) and David Voltz dated March 8, 2011. The former redevelopment agency (RDA) is neither a party to the contract nor responsible for payment of the contract. Additionally, in an email dated October 15, 2013, the Agency stated they no longer require this amount in ROPS 13-14B. Therefore, this line item is not an enforceable obligation, and not eligible for Bond Funds funding on this ROPS.
- Item No. 63 – Reimburse City Advance, Line 33, in the amount of \$45,944, payable from Bond Funds. As stated above, the David Voltz Park Design contract is not an obligation of the Agency. Therefore, this line item is not an enforceable obligation and is not eligible for Bond Funds funding on this ROPS.
- Item No. 69 – City Loan in the amount of \$4,683,750 is not allowed at this time. The Agency received a Finding of Completion on August 15, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). However, HSC section 34176 (e) (6) (B) specifies loan repayments shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B falls within fiscal year 2013-14, the repayment of this City loan is subject to the repayment formula outlined in HSC section 34191.4 (b) (2) (A).

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 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.

Additionally, Finance notes that the City loans were due from the Agency in 2003 and 2004. According to information provided by the Agency, no action was taken by the City to collect these loans or extend the agreements until the Ratification and Amendment agreements were signed in September 2013.

- Item Nos. 72 through 81 – Various Tina-Pacific Neighborhood Rehabilitation Projects totaling \$2,908,000. It is our understanding that contracts for these line items were awarded after June 27, 2011. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, these line items are not enforceable obligations, and are not eligible for RPTTF funding on this ROPS.

Additionally, these line items were denied by Finance as inclusions to the ROPS for the periods January through June 2013 and July through December 2013. The denial of these items was later upheld through the Meet and Confer process, as communicated in our letters dated December 18, 2012, and May 17, 2013, respectively. Finance continues to deny these items.

- Claimed administrative costs exceed the allowance by \$40,368. HSC section 34171 (b) limits the fiscal year 2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Orange County Auditor-Controller's Office distributed \$165,368 for the July through December 2013 period, thus leaving a balance of \$84,632 available for the January through June 2014 period. Although \$125,000 is claimed for administrative cost, only \$84,632 is available pursuant to the cap. Therefore, \$40,368 of excess administrative cost is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$4,277,451 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	6,754,319
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 6,879,319
Total RPTTF requested for non-administrative obligations	6,754,319
Denied Items	
Item No. 69	(1,240,000)
Item No. 72	(105,000)
Item No. 73	(350,000)
Item No. 74	(750,000)
Item No. 75	(11,500)
Item No. 76	(30,000)
Item No. 77	(42,000)
Item No. 78	(8,400)
Item No. 79	(9,000)
Item No. 80	(12,000)
Item No. 81	(3,600)
	<u>(2,561,500)</u>
Total RPTTF approved for non-administrative obligations	4,192,819
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	84,632
Total RPTTF approved for obligations	4,277,451
ROPS III prior period adjustment	-
Total RPTTF approved for distribution	\$ 4,277,451
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,186,175
Total RPTTF for 13-14B (January through June 2014)	4,277,451
Total RPTTF for fiscal year 2013-14	5,463,626
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	165,368
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	84,632

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where 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 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Suzanne Harrell, Managing Director, City of Stanton
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office