



December 17, 2013

Mr. Eddie Manfro, City Manager  
City of Westminster  
8200 Westminster Boulevard  
Westminster, CA 92683

Dear Mr. Manfro:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Westminster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 30, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 14, 2013. 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 December 2, 2013.

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 No. 7 – Ongoing Pension and Medical obligations in the amount of \$2,930,746. Finance no longer denies this item. Finance initially denied this item as insufficient documentation was provided to support the amount claimed. During the Meet and Confer process, the Agency provided additional documentation supporting \$6,672,000 in unfunded pension and medical obligation costs; however, \$55,254 has already been funded through ROPS 13-14A. Although this item is considered an enforceable obligation, Finance has determined that the amount requested is excessive for a single ROPS period. A reasonable payment schedule for this \$6,616,746 in unfunded pension and medical obligations allocated over five years results in ten bi-annual payments of \$661,675 and will cause the least amount of disruption to the taxing entities. Therefore, \$661,675 of unfunded pension and medical obligations is an enforceable obligation payable on ROPS 13-14B. The remaining balance of \$5,955,071 should continue to be placed on future ROPS until the obligation is retired.
- Item Nos. 35 and 36 – Capital Projects and Public Improvements totaling \$22,562,492 payable from bond proceeds and RPTTF. Finance no longer denies \$9,000,000 for Item No. 35 from the RPTTF and \$5,000,000 for Item No. 36 from 2009 bond proceeds. Pursuant to HSC section 34191.4 (c) bond proceeds may be used for the purposes for which the bonds were issued. The Agency received a Finding of Completion (FOC) on

June 20, 2013. However, Finance initially denied these items as it was our understanding the 2009 bond proceeds were issued to construct a police facility and the projects identified are not for the construction of a police facility. Therefore, it was determined that the use of 2009 bond proceeds for these projects is not in a manner consistent with the original bond covenants. Additionally, the Agency did not provide sufficient documentation to support the amounts claimed.

During the Meet and Confer process, the Agency stated that Item No. 35 was to be funded out of the RPTTF, not bond proceeds. The amount requested is related to the construction of the City Corporation Yard Improvements (\$7,500,000), City Building Equipment Replacement (\$425,000), and Park Improvements City Wide/ADA Improvements (\$1,075,000) pursuant to a March 10, 2011 agreement with Griffin Structures, Inc. Additionally, based on further review during the Meet and Confer process, it appears that the construction of evidence storage (\$2,500,000) and a firing range (\$2,500,000) for Item No. 36 is consistent with the project description in the Official Statement for the 2009 tax allocation bonds; however, the Agency should verify the eligible uses of bond proceeds with their bond counsel. Therefore, Item No. 35 is eligible for \$9,000,000 in RPTTF funding and Item No. 36 is eligible for \$5,000,000 in bond proceeds.

- Item No. 48 – Police and Parking Facility in the amount of \$8,546,616. Finance no longer denies the request to fund \$120,000 of this item from 2009 tax allocation bond proceeds. Finance initially denied the item as the requested amount was for the use of bond proceeds issued after December 31, 2010, and the use of the proceeds were not in furtherance of an enforceable obligation that existed prior to June 28, 2011. During the Meet and Confer process, the Agency stated that they would be presenting the project associated with this item to the Oversight Board for approval within the next month. Since the Agency received a FOC on June 20, 2013, they may spend bond proceeds for the purpose they were issued, if they were issued prior to December 31, 2010. Therefore, this item is an excess bond proceeds obligation and is eligible for bond funding from 2009 tax allocation bond proceeds.

We note, however, that the use of bond proceeds issued after December 31, 2010 continues to be denied as referenced in our letters dated December 18, 2012 and December 21, 2012. The Agency received a FOC on June 20, 2013; however, it is our understanding the original agreement and subsequent amendment were contracts between the City of Westminster (City) and Griffin Structures, Inc.; the former redevelopment agency (RDA) was not a party to the Agreement. The Agency contends the item is an enforceable obligation because the 1982 RDA-City relationship agreement, the Redevelopment Plan, and several resolutions of the City and the former RDA allow the City to contract on behalf of the former RDA. However, the 1982 Agreement does not give the City the authority to enter into contracts on behalf of the former RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. Although the Agency has received a FOC, the Agency is required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued if they were issued after December 31, 2010.

In addition, per Finance's letter dated November 14, 2013, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- Item No. 43 – Public Improvements in the amount of \$790,389. The Agency did not provide sufficient documentation to support the amount claimed. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 8 – Rent and Operations in the amount of \$80,500. Although enforceable, the types of services requested totaling \$80,500 are considered general administrative costs and have been reclassified and the administrative cost allowance has not been exceeded.

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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations or for the item that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$3,952,359 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	16,592,557
Total RPTTF requested for administrative obligations	497,777
<b>Total RPTTF requested for obligations</b>	<b>\$ 17,090,334</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>16,592,557</b>
<u>Denied Item</u>	
Item No. 7	(2,269,071)
Item No. 43	(790,389)
<u>Reclassified Item</u>	
Item No. 8	(80,500)
<b>Total RPTTF approved for non-administrative obligations</b>	<b>13,452,597</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>497,777</b>
<u>Reclassified Item</u>	
Item No. 8	80,500
<b>Total RPTTF for administrative obligations</b>	<b>578,277</b>
<b>Total RPTTF approved for obligations</b>	<b>14,030,874</b>
ROPS III prior period adjustment	(10,078,515)
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,952,359</b>

Pursuant to HSC section 34177 (I) (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/).

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Robin Roberts, City Clerk, City of Westminster  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office