



October 29, 2014

Ms. Barbara Boswell, Finance Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534

Dear Ms. Boswell:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lancaster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 17, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 274 – Housing Successor Agency Administrative Allowance in the amount of \$150,000. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Lancaster (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, \$150,000 of housing successor administrative allowance is not allowed.
- Item Nos. 276 through 278 and 284 – Various obligations related to refunding bonds in the amount of \$8,037,598 is denied at this time. The Agency is currently working with Los Angeles County on refunding three bonds issuances. It is our understanding that a bond refunding agreement has not yet been entered into by the Agency. In addition, the proposed bond refunding has not yet been approved by either the Agency's Oversight Board or Finance. Therefore, these items are not considered enforceable obligations at this time and it is premature to request funding.
- Item No. 283 – Unfunded liability for other post-employment benefits of former Lancaster Redevelopment Agency employees in the amount of \$1,143,000 is partially denied. The Agency requested \$1,143,000 of the unfunded post-employment benefits liability on this ROPS. Although this item is considered an enforceable obligation, Finance has determined the amount requested is excessive for a single ROPS period. A reasonable

payment schedule for amounts outstanding allocated over five years, results in ten bi-annual payments of \$114,300 and will cause the least amount of disruption to the taxing entities. Therefore, Finance is approving \$114,300 for this obligation.

Based on a review of the Agency's cash balances, it is not clear Other Funds will be available to fund this obligation. Therefore, Finance is reclassifying \$114,300 to Redevelopment Property Tax Trust Fund (RPTTF) funding. The remaining balance of \$1,028,700 in Other Funds funding is not an enforceable obligation at this time.

In addition, Finance noted the Agency overwrote the original obligation for Item No. 267 and replaced it with a new obligation on this ROPS, which is not allowed. Item No. 267 remains unavailable to use because it is assigned to the original obligation indefinitely. Therefore, for consistency purposes between ROPS periods, Item No. 267 was restored to the original obligation and the new obligation reported as Item No. 267 was assigned as Item No. 286.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies 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 Redevelopment Property Tax Trust Fund (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 or item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$8,689,235 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	8,470,811
Total RPTTF requested for administrative obligations	254,124
Total RPTTF requested for obligations on ROPS	\$ 8,724,935
Total RPTTF requested for non-administrative obligations	8,470,811
<u>Denied Item</u>	
Item No. 274	(150,000)
<u>Reclassified Item</u>	
Item No. 283	114,300
Total RPTTF authorized for non-administrative obligations	\$ 8,435,111
Total RPTTF requested for administrative obligations	254,124
Total RPTTF authorized for administrative obligations	\$ 254,124
Total RPTTF authorized for obligations	\$ 8,689,235
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	\$ 8,689,235

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

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, 2015. This determination only applies 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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),

Ms. Barbara Boswell
October 29, 2014
Page 4

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 Cindie Lor, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Pam Statsmann, Assistant Finance Director, City of Lancaster
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office