

December 17, 2014

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

Dear Mr. Dadabhoy:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated October 31, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stanton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 18, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on October 31, 2014. 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 12, 2014.

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.

- 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) funding approved in the table on page 3 includes the prior period adjustment of \$119,000 resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

During the Meet and Confer process, the Agency requested that the prior period adjustment be reduced by \$101,823 because this amount was used to make the June 2014 debt service payment rather than being placed in reserve for the December 2014 debt service payment. With the CAC's concurrence, the prior period adjustment has been decreased by \$101,823 to ensure sufficient funding was available for the June 2014 debt service payment.

- During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but

only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Because Finance approved the Agency's LRPMP, the Agency has no need for Other Funds totaling \$10,000. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 41 – Administrative Cost allowance. The Agency requested \$115,000 from RPTTF. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$10,000 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$105,000 and the use of Other Funds in the amount of \$10,000, totaling \$115,000.

During the Meet and Confer process, the Agency requested to increase Item No. 41 by \$101,823 to \$216,823. The Agency submitted Oversight Board (OB) Resolution No. 2014-12 to Finance on December 11, 2014, to decrease the ROPS 14-15A administrative cost allowance by \$101,823. The OB resolution also changed the funding source for Item No. 3 on ROPS 14-15A from Reserve Balances to RPTTF in the amount of \$101,823. Finance is approving OB Resolution No. 2014-12 to decrease the ROPS 14-15A administrative cost allowance by \$101,823 and change the funding source for Item No. 3 from Reserve Balances to RPTTF. Therefore, Finance will also approve the request to increase Item No. 41 in the amount of \$101,823 on the ROPS 14-15B.

In addition, per Finance's letter dated October 31, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 38 – Park Construction in the amount of \$6,500,000 is not allowed. Finance issued a Finding of Completion on August 15, 2013, and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, it is our understanding there are no contracts in place for this item. To the extent the Agency can provide suitable documentation, such as third party estimates or bid documents to support requested funding, the Agency may be able to obtain Bond Proceeds funding on future ROPS.
- Item No. 82 – Tina - Pacific Neighborhood Rehabilitation Project in the amount of \$4,725,517 is not allowed. Finance continues to deny this item. Finance issued a Finding of Completion on August 15, 2013, and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, it is our understanding the Agency would like to utilize proceeds derived from bonds issued after December 31, 2010. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Finally, all of the properties related to the Tina-Pacific Neighborhood Rehabilitation Projects were transferred to the Stanton Housing Authority (Housing Authority) as reported on the Housing Asset Transfer Form approved by Finance in our letter dated February 25, 2013. As such, any future costs associated with the relocation, demolition, maintenance, management, or construction of these properties is now the responsibility

of the Housing Authority. Therefore, this line item is not an enforceable obligation and is not eligible for Bond Proceeds funding.

- Item No. 84 – Property Management Plan in the amount of \$10,000 is not allowed. The Long-Range Property Management Plan (LRPMP) was approved by Finance on October 3, 2014; therefore, the Agency does not have the need for additional funds to amend the LRPMP. Therefore, this line item is not eligible for Other Funds on this ROPS.
- Item No. 86 – Housing Authority Administration Fee in the amount of \$750,000 is not allowed. Finance continues to deny this item. Pursuant to HSC section 34177 (p), the housing entity 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 entity to the former redevelopment agency of the City of Stanton (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. Therefore, \$750,000 of housing entity administrative allowance is not eligible for RPTTF funding.

Except for the items denied in whole or in part or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency’s maximum approved RPTTF distribution for the reporting period is \$5,278,525 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	5,238,879
Total RPTTF requested for administrative obligations	115,000
Total RPTTF requested for obligations on ROPS	\$ 5,353,879
RPTTF adjustment to administrative obligations	101,823
Total RPTTF adjustments	\$ 101,823
Total RPTTF requested for non-administrative obligations	5,238,879
<u>Denied Item</u>	
Item No. 86	(150,000)
Total RPTTF authorized for non-administrative obligations	\$ 5,088,879
Total RPTTF requested for administrative obligations	216,823
<u>Reclassified Items</u>	
Item No. 41	(10,000)
Total RPTTF authorized for administrative obligations	\$ 206,823
Total RPTTF authorized for obligations	\$ 5,295,702
Total ROPS 13-14B PPA	(17,177)
Total RPTTF approved for distribution	\$ 5,278,525

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

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

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), 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
Acting 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