

November 17, 2014

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

Dear Mr. Manfro:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Westminster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 3, 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. 10 – Professional Legal Services in the amount of \$50,000 is considered an administrative expense and should be counted toward the cap. Finance has previously made the determination in its letter dated May 16, 2014. The Agency contends that Item No. 10 should not be considered an administrative expense, but a project-specific cost. However, the legal services for Item No. 10 do not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.
  - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, Finance continues to classify this item as an administrative expense. Although the amount has been included as an administrative cost, the Agency's administrative cost allowance for the 2014-15 fiscal year has not been exceeded.

- Item No. 22 – Supplemental Education Repayment Augmentation Fund (SERAF) loan repayment in the amount of \$855,259 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

HSC section 34191.4 (b) (2) (A) specifies 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 fiscal year 2012-13 base year.

According to the Orange County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2013-14 are \$9,620,526 and \$13,910,007, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$2,144,741.

The Agency previously requested and received \$1,500,000 for the SERAF repayment in the ROPS 14-15A period and is only eligible for \$644,741 for the remainder of the fiscal year. Therefore, the excess, \$855,259 (\$1,500,000 - \$644,741) is not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning ROPS 15-16A.

- Item 50 – Housing Authority Administration Allowance in the amount of \$750,000 is not allowed. 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 RDA of the 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.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (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. The Agency provided financial records that displayed available Other Funds totaling \$33,285.

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. 6 – Administrative Allowance. The Agency requests \$293,572 from RPTTF; however, Finance is reclassifying \$33,285 to Other Funds. 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 \$33,285 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$260,287 and the use of Other Funds in the amount of \$33,285, totaling \$293,572.

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 review 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 review of the Agency's self-reported prior period adjustment.

Finance noted that, during our review of the Agency's Cash Balance Report, that the Agency spent proceeds from bonds issued after December 31, 2010. Finance reminds the Agency that pursuant to HSC section 34171 (d) and HSC section 34191.4 (c) (2) (B), these proceeds must be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Except for the items denied in whole or in part and the 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,388,278 as summarized in the Approved RPTTF Distribution Table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	14,678,622
Total RPTTF requested for administrative obligations	293,572
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 14,972,194</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>14,678,622</b>
<u>Denied Items</u>	
Item No. 22	(855,259)
Item No. 50	(150,000)
	(1,005,259)
<u>Reclassified Item</u>	
Item No. 10	(50,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 13,623,363</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>293,572</b>
<u>Reclassified Item</u>	
Item No. 6	(33,285)
Item No. 10	50,000
	16,715
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 310,287</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 13,933,650</b>
ROPS 13-14B prior period adjustment	(7,545,372)
<b>Total RPTTF approved for distribution</b>	<b>\$ 6,388,278</b>

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), 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 Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting 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