

April 12, 2016

Ms. Sally Traylor, Secretary
City of Westmorland
P.O. Box 699
Westmorland, CA 92281

Dear Ms. Traylor:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Westmorland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item No. 3 – 2011 Tax Allocation Refunding Bond payment for July through December 2016 (ROPS A period) in the amount of \$30,000 has been reclassified. This amount was approved during ROPS 15-16B as a reserve for use during the ROPS 16-17A period. As such, Redevelopment Property Tax Trust Fund (RPTTF) funding is not necessary. Therefore, Finance has reclassified the requested \$30,000 from RPTTF to Reserve Balances for the ROPS A period.
- The claimed administrative costs exceed the allowance by \$16,913. HSC section 34171 (b) (3) limits fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF. As a result, the Agency's maximum ACA is \$29,087 for the fiscal year 2016-17. Although \$46,000 is claimed for administrative cost, only \$29,087 is available pursuant to the cap. Therefore, \$16,913 of excess administrative cost is not allowed.

Furthermore, Finance notes that during the course of Finance's review of the ROPS 16-17 Cash Balances and ROPS Notes Forms, the Agency noted \$25,960 in Other Funds were expended during the ROPS 15-16A period. Although Finance authorized the expenditure of \$12,460 in Other Funds, the Agency expended an additional \$13,500 in Other Funds in place of RPTTF because the RPTTF distribution was insufficient. The Agency was not authorized to change the funding source. Pursuant to HSC section 34177 (a) (4), the Agency is required to obtain prior approval from its Oversight Board (OB) in order to make payments for enforceable obligations from sources other those listed on the an approved ROPS. Therefore, the Agency is required to obtain OB approval for the change in fund source during ROPS 15-16A, and the corresponding OB resolution should be submitted to Finance for review.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

Item No. 2 – 2011 Tax Allocation Refunding Bond in the amount of \$15,113 has been partially reclassified. The Agency requests \$15,113 of RPTTF; however, Finance is reclassifying \$1,251 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$1,251 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$13,862 and the use of Other Funds in the amount of \$1,251, totaling \$15,113 for the ROPS A period.

Except for the item denied in whole or in part or the item that has been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$88,524 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

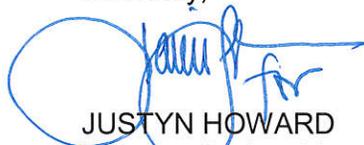
Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for

future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

Please direct inquiries to Cindie Lor, Supervisor, or Steven Huckabay, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Henry Graham, Chair, City of Westmorland
Ms. Ann McDonald, Property Tax Manager, Imperial County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 45,113	\$ 45,575	\$ 90,688
Requested Administrative RPTTF	23,000	23,000	46,000
Total RPTTF requested for obligations on ROPS 16-17	68,113	68,575	\$ 136,688
Total RPTTF requested	45,113	45,575	90,688
<u>Reclassified Items</u>			
Item No. 2	(1,251)	0	(1,251)
Item No. 3	(30,000)	0	(30,000)
Total RPTTF authorized	13,862	45,575	\$ 59,437
Total Administrative RPTTF requested	23,000	23,000	46,000
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(16,913)	(16,913)
Total Administrative RPTTF authorized	23,000	6,087	\$ 29,087
Total RPTTF approved for distribution	36,862	51,662	\$ 88,524

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	\$ 82,508
Less sponsoring entity loan and Administrative RPTTF	24,335
Actual RPTTF distributed for 2015-16 after adjustment	58,173
Administrative Cap for 2016-17 per HSC section 34171 (b)	29,087
ROPS 16-17 Administrative RPTTF after Finance adjustments	46,000
Administrative Cost Allowance in excess of the cap	\$ (16,913)