

May 17, 2016

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

Dear Mr. Manfro:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 12, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Westminster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 29, 2016. Finance issued a ROPS determination letter on April 12, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on May 2, 2016.

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 determinations being disputed.

- Item No. 54 – 2011 Unencumbered Bond Proceeds in the amount of \$606,523. Finance continues to deny this item as an enforceable obligation. Finance previously denied this item because the Agency did not provide sufficient documentation. During the Meet and Confer, the Agency contested that pursuant to HSC section 34191.4 (c) (2), the Agency is now eligible to expend five percent of unencumbered 2011 bond proceeds, and the amount of 2011 bond proceeds expended were encumbered prior to the of issuance of the bond.

Pursuant to HSC section 34191.4 (c) (2), after receiving a Finding of Completion, the Agency may expend proceeds derived from bonds issued on or after January 1, 2011 in a manner consistent with the original bond covenants. The Agency received a Finding of Completion on June 20, 2013.

HSC 34191.4 (c) (2) (A) limits the Agency's expenditure authority to five percent of the 2011 Bond Proceeds until the Agency has an approved Last and Final ROPS. In addition, the Agency did not have authority in any previous ROPS period to expended 2011 bond proceeds on approved enforceable obligations. Furthermore, the Agency did not provide documentation to support that the 2011 bonds were encumbered for an enforceable obligation prior to issuance. As such, the Agency's available bond proceeds

should match the issuance amount. If it does not have that amount, the Agency or former RDA has/had either inappropriately spent the 2011 bond proceeds or misplaced the funds. The eligible 2011 bond proceeds for expenditure during the ROPS 16-17 period are detailed below:

Post Compliance 2011 Excess Bond Proceed Calculation	Formula	Series A, B, C
2011 Bond Proceeds	a	\$34,500,000
Amount of 2011 Bond Proceeds spent/needed for enforceable obligations	b	-
Total 2011 Excess Bond Proceeds	$c = a - b$	34,500,000
5% of 2011 Excess Bond Proceeds	$d = c * 0.05$	1,725,000
2011 Bond Proceeds available for defeasance as of ROPS 16-17 pursuant to HSC section 34191.4 (c)(2)(C)	$e = c - d$	32,775,000
December 31, 2015 balance of 2011 Bond Proceeds	f	15,585,915
2011 Bond Proceeds available for expenditure	$g = f - e$	(17,189,085)

The Agency has expended more than the five percent allowable pursuant to HSC 34191.4 (c) (2) (c); therefore, Finance continues to deny Item No. 54 as an enforceable obligation.

In addition, per Finance's letter dated April 12, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 36 – Public Improvements in the total outstanding amount of \$150,000 is not allowed. It is our understanding the project is funded by Bond Proceeds from both 2009 and 2011 Tax Allocation Bonds (TAB); however, the Agency has not provided documentation that separately identifies the total amount from each bond issuance to fund the project. To the extent the Agency can provide documentation, including trustee statements or accounting records that separately identify the amount from each bond issuance necessary to fund the project, the Agency may be able to obtain Bond Proceeds funding in the future. Therefore, the requested amount of \$150,000 in Bond Proceeds is not eligible for funding this ROPS period.
- Item No. 51 – Unencumbered 2009 Bond Proceeds in the amount of \$6,000,000 is partially allowed. Finance previously approved the transfer of excess 2009 TAB proceeds in the amount of \$5,336,436 in our determination letter dated April 23, 2015. During our review, the Agency provided a bond trustee statement, dated December 31, 2015, to support the current amount of excess 2009 TAB proceeds. According to the statement, the current amount available is \$8,469,893. Because Finance previously approved the transfer of \$5,336,436 in excess bond proceeds to the City of Westminster (City), the maximum amount of excess 2009 TAB proceeds eligible for transfer to the City is \$3,133,457 (\$8,469,893 - \$5,336,436). Therefore, Finance's approval is limited to the transfer of \$3,133,457 in excess bond proceeds to the City.
- 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 (I) (1) (E), agencies are required to use all available funding sources prior to Redevelopment

Property Tax Trust Funds (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 items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 12 – Professional Services (bank fees) in the amount of \$11,000 requested for the July 1, 2016 through December 31, 2016 period (ROPS A period) has been reclassified. The Agency requested \$11,000 from RPTTF for the ROPS A period; however, Finance is reclassifying \$11,000 to Other Funds. This item is an enforceable obligation; however, the obligation does not require payment from property tax revenues. Therefore, Finance has reduced the request for RPTTF to zero, and is approving the use of Other Funds in the amount of \$11,000.
- Item No. 49 – Property Disposition in the amount of \$30,000 has been partially reclassified. The Agency requested \$30,000 from RPTTF for the ROPS A period; however, Finance is reclassifying \$15,984 to Other Funds. This item is an enforceable obligation; however, the obligation does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$14,016 and the use of Other Funds in the amount of \$15,984, totaling \$30,000.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

The Agency's maximum approved RPTTF distribution for the reporting period is \$14,247,626 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (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 period 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>

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 Evelyn Suess, Dispute Resolution Supervisor, or Satveer Ark (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Erin Backs, Financial Services Manager, City of Westminster
Mr. Frank Davies, Property Tax Manager, Orange 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)	\$ 8,057,822	\$ 5,801,022	\$ 13,858,844
Requested Administrative RPTTF	241,735	174,031	415,766
Total RPTTF requested for obligations on ROPS 16-17	8,299,557	5,975,053	\$ 14,274,610
Total RPTTF requested	8,057,822	5,801,022	13,858,844
<u>Reclassified Items</u>			
Item No. 12	(11,000)	0	(11,000)
Item No. 49	(15,984)	0	(15,984)
Total RPTTF authorized	8,030,838	5,801,022	\$ 13,831,860
Total Administrative RPTTF authorized	241,735	174,031	\$ 415,766
Total RPTTF approved for distribution	8,272,573	5,975,053	\$ 14,247,626