



April 11, 2013

Mr. Eddie Manfro, City Manager  
City of Westminster Successor Agency  
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 13-14A) to the California Department of Finance (Finance) on February 25, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Items Nos. 3 and 4 – 2011 Tax Allocation Bonds Series A and B totaling \$58,820,707. The Agency failed to provide sufficient documentation to support the requested debt service payment. No debt service payment schedules were provided; and information regarding the Series A bonds indicates no payment is due until November 2014.
- Item No. 15 – Affordable Housing Monitoring in the amount of \$560,000. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Westminster (City) assumed the housing functions, the monitoring costs associated with these functions is the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for the Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 42 – Property Improvements in the amount of \$6,702,693, funded by bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded.

It is our understanding the bond proceeds to fund these improvements were issued after December 31, 2010. 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.

- Item No. 43 – Public Improvements in the amount of \$790,389, funded by bond proceeds. Finance denied the original agreement in our letter dated December 18, 2012, and an amendment to the agreement in our letter dated December 21, 2012. The former RDA is not a party to this contract; it is between the City and Griffin Structures, Inc. Therefore, it is an obligation of the City and not the Agency. Finance denied the amendment, pursuant to HSC 34163 (c) which prohibits an Agency from amending or modifying agreements, obligations, or contracts with any entity for any purpose after June 28, 2012. Finance continues to deny this item.
- Item No. 44 – Westminster Improving Neighborhoods Grant Program in the amount of \$930,000. Based on information provided by the Agency, no formal agreements are in place for these loans, and the award letters provided as support state that they are not a 'promises of reimbursement'. Therefore, these items are not enforceable obligations and are not eligible for the RPTTF funding on the ROPS.
- Item No. 47 – Police and Parking Facility in the amount of \$8,546,616, funded by bond proceeds. Finance denied the original agreement in our letter dated December 18, 2012, and an amendment to the agreement in our letter dated December 21, 2012. The former RDA is not a party to this contract; it is between the City and Griffin Structures, Inc. Therefore, it is an obligation of the City and not the Agency. Finance denied the amendment, pursuant to HSC 34163 (c) which prohibits an Agency from amending or modifying agreements, obligations, or contracts with any entity for any purpose after June 28, 2012. Finance continues to deny this item.
- Administrative costs funded by Redevelopment Property Tax Trust Funds exceed the allowance by \$470,739. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$153,163. Therefore, \$470,739 of the claimed \$720,739 is not an enforceable obligation. The following items were considered administrative expenses and therefore have been reclassified:
  - Item No. 10 – Legal services in the amount of \$ 100,000
  - Item No. 11 – Annual audit in the amount of \$ 12,000
  - Item No. 17 – City Code and Document Storage in the amount of \$4,000
  - Item No. 46 – Litigation Expenses in the amount \$150,000

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$5,355,422 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 15,157,969
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 3	660,572
Item 4	8,185,975
Item 10*	100,000
Item 11*	12,000
Item 15	10,000
Item 17*	4,000
Item 44	930,000
Item 46*	150,000
Total approved RPTTF for enforceable obligations	<u>\$ 5,105,422</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>250,000</u>
Minus: ROPS II prior period adjustment	<u>-</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 5,355,422</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/)

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 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 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 successor agency in the RPTTF.

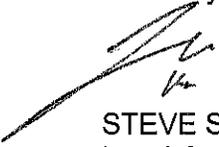
To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B)

Mr. Manfro  
April 11, 2013  
Page 4

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long, sweeping underline that extends to the left.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Robin Roberts, City Clerk, City of Westminster  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office