



May 17, 2013

Ms. Sally Traylor, Secretary  
City of Westmorland  
P.O. Box 669  
Westmorland, CA 92281

Dear Ms. Traylor:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 19, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Westmorland Successor Agency (Agency) submitted a ROPS 13-14A to Finance on March 5, 2013 for the period of July through December 2013. 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 May 1, 2013.

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 item being disputed.

- Item No. 13 – 2013 Loan to pay Low and Moderate Income Housing Fund (LMIHF) shortage in the amount of \$36,899. Finance continues to deny this item. It is our understanding the Agency uses the same account for both the housing and non-housing funds. As a result, the former Redevelopment Agency inadvertently used \$36,899 in non-housing funds for LMIHF obligations. As a result, during the LMIHF Due Diligence Review process, the unencumbered LMIHF funds were swept and distributed to the taxing entities. The Agency does not agree with this action.

Finance's LMIHF Meet and Confer letter dated December 15, 2012, disallowed the Agency's request to use a portion of their January 2013 RPTTF distribution to make the full LMIHF DDR payment. The request was denied in anticipation the use of the January 2013 distribution would have affected the amount of RPTTF available to fund its approved enforceable obligations for ROPS III. However, our letter recommended the Agency to consider other financing options to fund the remaining \$36,899 due to the County Auditor Controller for LMIHF DDR process. To fund the shortfall, the Agency obtained a City loan. Nevertheless, this loan does not meet the criteria as defined in HSC section 34173 (h).

While the loan does not qualify as an enforceable obligation and cannot be funded with RPTTF, the obligations funded by the non-housing funds may be enforceable. The Agency should place these items on a future ROPS, at which time they are subject to review and approval by the Agency's oversight board and Finance.

In addition, per Finance's ROPS letter dated April 19, 2013, the following item continues to be denied and was not contested by the Agency:

- Item No. 14 – Pass-through payments in the amount of \$18,437. Pursuant to HSC section 34183 (a) (1), the county auditor-controller will make the required pass-through payments starting with the July through December 2012 ROPS. Therefore, this item is not considered an enforceable obligation and is not eligible for funding on the ROPS from either the administrative cost allowance or from RPTTF.

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$93,013 as summarized below:

| <b>For the period of July through December 2013</b>                            |                  |
|--|------------------|
| Total RPTTF funding requested for obligations                                  | \$ 94,129        |
| Minus: Six-month total for items denied or reclassified as administrative cost |                  |
| Item 13  | 36,899           |
| Item 14  | 14,017           |
| Total approved RPTTF for enforceable obligations                               | <u>\$ 43,213</u> |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost         | <u>49,800</u>    |
| Minus: ROPS II prior period adjustment   | <u>-</u>         |
| <b>Total RPTTF approved for distribution:</b>                                  | <b>\$ 93,013</b> |

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. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

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_13-14A_Forms_by_Successor_Agency/).

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

Ms. Sally Traylor  
May 17, 2013  
Page 3

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) 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 Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Henry Graham, Chair, City of Westmorland  
Ms. Ann McDonald, Property Tax Manager, County of Imperial  
California State Controller's Office