



March 27, 2014

Ms. Barbara Boswell, Finance Director  
City of Lancaster  
44933 Fern Avenue  
Lancaster, CA 93534

Dear Ms. Boswell:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Lancaster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 24, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 for the reasons specified:

- Item No. 270 – Reserve RPTTF for February 2015 Debt Service in the amount of \$696,372. It is our understanding that the Agency is requesting reserves in anticipation of a future shortfall in the next half of the fiscal year. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the *following half* of the calendar year. Therefore, the request to fund payments due for the *first half* of the calendar year is not allowed.
- Claimed administrative costs exceed the allowance by \$22,207. HSC section 34171 (b) limits the fiscal year 14-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$331,000 is claimed for administrative cost, only \$308,793 is available pursuant to the cap. Therefore, \$22,207 of excess administrative cost is not allowed.

In addition, Finance noted the following:

- Item Nos. 8 through 12 – Loan certification debt service requirement totaling \$1,853,302. The Agency requested Redevelopment Property Tax Trust Fund (RPTTF) to replenish reserves to meet the 125% debt ratio coverage requirement. Based upon our review, the loan agreements for the bonds listed below do require all tax revenues to be

deposited until the 125% debt ratio coverage requirement is covered. Therefore, the debt service payments requested for the following bonds were approved as follows:

- Item No. 8 – in the amount of \$841,400
- Item No. 9 – in the amount of \$33,359
- Item No. 10 – in the amount of \$233,516
- Item No. 11 – in the amount of \$344,714
- Item No. 12 – in the amount of \$400,313

Pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$1,853,302 requested to be held in reserve along with the amounts previously requested should be used to meet the debt service requirements. The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items.

- HSC section 34177 (a) (3) states that only those payments listed in the ROPS may be made by the Agency, from the funds specified in the ROPS. HSC does not permit the Agency to make payments that exceed the amounts approved by Finance. On the Prior Period Adjustment worksheet, we note that the Agency's expenditures have exceeded Finance's authorization for Other Funds. Therefore, Finance is increasing the Agency's authorization for the ROPS 13-14B period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. The increase includes Other Funds for Item No. 85 Lease Payment- Cardlock in the amount of \$425,848, Item No. 221 Automall Sign Agreement in the amount of \$257, Item No. 223 Legal services in the amount of \$39,481, and Item No. 233 Administrative Costs in the amount of \$224,290. This is for informational purposes and will not affect your ROPS 14-15A spending authority.

HSC sections 34177 (a) (4) and 34173 (h) provide alternative mechanisms when Agency payments exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is achieved prior to making payments on enforceable obligations.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 distribution for the reporting period is \$10,647,405 as summarized below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2014</b>	
Total RPTTF requested for non-administrative obligations	11,034,984
Total RPTTF requested for administrative obligations	331,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 11,365,984</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>11,034,984</b>
<u>Denied Item</u>	
Item No. 270	(696,372)
	(696,372)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 10,338,612</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>331,000</b>
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(22,207)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 308,793</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 10,647,405</b>
ROPS 13-14A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 10,647,405</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF authorized for non-administrative obligations	10,338,612
Less: 13-14A and 13-14B Authorized RPTTF Shortfall Item No. 271	(45,503)
<b>Total ROPS 14-15A non-admin RPTTF obligations</b>	<b>10,293,109</b>
Percent allowed pursuant to HSC section 34171 (b)	3%
<b>Total RPTTF allowable for administrative obligations</b>	<b>308,793</b>

Please refer to the ROPS 14-15A 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 July 1 through December 31, 2014. 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 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.

Ms. Barbara Boswell  
March 27, 2014  
Page 4

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 Kylie Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard', with a long horizontal stroke extending to the left.

JUSTYN HOWARD  
Assistant Program Budget Manager

cc: Ms. Pam Statsmann, Assistant Finance Director, City of Lancaster  
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County  
California State Controller's Office