



April 7, 2014

Mr. Omar Dadabhoy, Community Development Director
City of Stanton
7800 Katella Avenue
Stanton, CA 90680

Dear Mr. Dadabhoy:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Stanton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 26, 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. 38 – Stanton Central Park Construction contract in the amount of \$6,500,000, funded by Bond Proceeds. A Finding of Completion was issued on August 15, 2013, and the Agency can now utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. However, it is our understanding there are no contracts in place for this item. To the extent the Agency can provide suitable documentation, such as third party estimates or bid documents to support requested funding, the Agency may be able to obtain Bond Proceeds funding on future ROPS.
- Item No. 82 – Tina - Pacific Neighborhood Rehabilitation Project in the amount of \$4,725,517, funded by Bond Proceeds. Finance initially denied this item as it was our understanding that contracts for this item were awarded after June 27, 2011. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.

Finance also denied this project as an inclusion to the ROPS for the periods January through June 2013, July through December 2013 and January through June 2014; later upheld through the Meet and Confer process, as communicated in our letters dated December 18, 2012, May 17, 2013, and December 17, 2013 respectively.

It is also our understanding these bonds were issued after December 31, 2010. HSC section 34191.4 (c) (2) (B) requires these proceeds to be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Finally, all of the properties related to the Tina-Pacific Neighborhood Rehabilitation Projects were transferred to the Stanton Housing Authority (Housing Authority) as reported on the Housing Asset Transfer Form approved by Finance in our letter dated February 25, 2013. As such, any future costs associated with the relocation, demolition, maintenance, management, or construction of these properties is now the responsibility of the Housing Authority. Therefore, this line item is not an enforceable obligation and is not eligible for Bond Proceeds funding.

- Item Nos. 84 and 85 – Property Management Plan obligations totaling \$16,000. The Agency requests \$16,000, however, no documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed contracts or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS. Additionally, it should be noted the Agency would not be required to incur additional obligations based on Finance's review of the Agency's Long-Range Property Management Plan. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- Item No. 86 – Housing Authority Administration Fee in the amount of \$75,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Stanton (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, \$75,000 of housing entity administrative allowance is not allowed.

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 items denied in whole or in part as enforceable obligations or for the items that have been reclassified, 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/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,258,272 as summarized below:

| Approved RPTTF Distribution For the period of July through December 2014 | |
|---|---------------------|
| Total RPTTF requested for non-administrative obligations | 2,760,842 |
| Total RPTTF requested for administrative obligations | 125,000 |
| Total RPTTF requested for obligations | \$ 2,885,842 |
| Total RPTTF requested for non-administrative obligations | 2,760,842 |
| <u>Denied Items</u> | |
| Item No. 84 | (10,000) |
| Item No. 85 | (6,000) |
| Item No. 86 | (75,000) |
| | (91,000) |
| <u>Reclassified Item</u> | |
| Item No. 44 | (10,000) |
| | (10,000) |
| Total RPTTF authorized for non-administrative obligations | \$ 2,659,842 |
| Total RPTTF requested for administrative obligations | 125,000 |
| <u>Reclassified Item</u> | |
| Item No. 44 | 10,000 |
| Total RPTTF authorized for administrative obligations | \$ 135,000 |
| Total RPTTF authorized for obligations | \$ 2,794,842 |
| ROPS 13-14A prior period adjustment | (536,570) |
| Total RPTTF approved for distribution | \$ 2,258,272 |

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 the ROPS 14-15A review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15B.

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.

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 Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Suzanne Harrell, Managing Director, City of Stanton
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office