



May 16, 2014

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

Dear Mr. Manfro:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 1, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Westminster Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 19, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 1, 2014. 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 April 14, 2014.

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 items being disputed.

- Item No. 7 – Ongoing Pension and Medical Obligations in the amount of \$5,955,071. Although this item is considered an enforceable obligation, the amount requested is excessive for a single ROPS period, as initially communicated in our letter dated December 17, 2013. The Agency requested to Meet and Confer on this item to request the full amount be paid as approved by the Oversight Board. However, the Agency has not provided any information indicating that this item must be paid in full in the next six-month period. Therefore, we maintain that a reasonable payment schedule for this unfunded pension and medical obligation allocated over five years, results in 10 bi-annual payments of \$661,675 and will cause the least amount of disruption to the taxing entities. As such, \$661,675 for ongoing pension and medical obligations is an enforceable obligation payable on ROPS 14-15A. The remaining balance of \$5,293,396 (= \$5,955,071 - \$661,675) should continue to be placed on future ROPS until the obligations are retired.
- Item No. 9 – Unfunded Liability in the amount of \$465,000, payable to the City of Westminster. Finance no longer denies this item; however, Finance reclassifies this item as an administrative expense. Finance initially denied this item because when Finance requested documentation to support the amount requested, the Agency stated that no responsive documents are available. During the Meet and Confer process, the Agency clarified that this item should actually be Liability Insurance, not Unfunded Liability, and provided policy information and the invoice for the annual insurance premium. However,

liability insurance for projects does not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):

- Any litigation expenses related to assets or obligations.
- Settlements and judgments.
- The costs of maintaining assets prior to disposition.
- Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, Finance no longer denies this item, but reclassifies it as an administrative cost.

- Item No. 46 – Litigation Expenses in the amount of \$500,000. Finance no longer denies this item. The Agency entered into an agreement with Jones & Mayer to provide legal services on November 14, 2012. As part of the agreement, Jones & Mayer submits monthly statements to the Agency for work performed. Finance initially denied this item because when Finance requested invoices, detailed payment schedules, or any other documents to support the amount requested, the Agency stated that no invoices have been received for the period. During the Meet and Confer process, the Agency provided a memo from Jones & Mayer indicating the estimated cost for the upcoming six-month period. Therefore, this item is an enforceable obligation and is eligible for RPTTF funding.
- Claimed administrative costs exceed the allowance by \$225,752. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$410,163 in administrative expenses. Although \$570,915 is claimed for administrative cost, Item No. 10 for Professional Legal Services in the amount of \$50,000 is considered an administrative expense and should be counted toward the cap. Additionally, Item No. 9 for Liability Insurance in the amount of \$15,000 should be counted toward the cap as discussed above. During the Meet and Confer process, the Agency contended that Item No. 10 should not be considered an administrative expense, but a project-specific cost. However, the legal services for Item No. 10 does not fall into any of the following categories that are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
 - Any litigation expenses related to assets or obligations.
 - Settlements and judgments.
 - The costs of maintaining assets prior to disposition.
 - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, Finance continues to classify Item No. 10 as an administrative expense and \$225,752 of excess administrative cost 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. The amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below includes the prior period adjustment as adjusted by Finance based on amounts self-reported by the Agency. 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. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency, with the necessary corrections to formula changes made by the Agency.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved Redevelopment RPTTF distribution for the reporting period is \$13,777,767 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	19,030,492
Total RPTTF requested for administrative obligations	570,915
Total RPTTF requested for obligations	\$ 19,601,407
Total RPTTF requested for non-administrative obligations	19,030,492
<u>Denied Item</u>	
Item No. 7	(5,293,396)
	(5,293,396)
<u>Reclassified Item</u>	
Item No. 9	(15,000)
Item No. 10	(50,000)
	(65,000)
Total RPTTF authorized for non-administrative obligations	\$ 13,672,096
Total RPTTF requested for administrative obligations	570,915
<u>Reclassified Item</u>	
Item No. 9	15,000
Item No. 10	50,000
	65,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(225,752)
Total RPTTF authorized for administrative obligations	\$ 410,163
Total RPTTF authorized for obligations	\$ 14,082,259
Self-reported ROPS 13-14A prior period adjustment (PPA)	-
Finance adjustment to ROPS 13-14A PPA	(304,492)
Total ROPS 13-14A PPA	(304,492)
Total RPTTF approved for distribution	\$ 13,777,767

Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations	13,672,096
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	410,163
Total RPTTF administrative obligations after Finance adjustments	635,915
Administrative costs in excess of the cap	\$ (225,752)

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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