



REVISED

April 14, 2014

Ms. Elise McCaleb, Economic Development Manager
City of Signal Hill
2175 Cherry Avenue
Signal Hill, CA 90755

Dear Ms. McCaleb:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's letter dated April 7, 2014 and is necessary to correct a clerical error. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Signal Hill 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. 24 – Loan repayment to the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of \$788,751. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the Agency's maximum repayment amount authorized for fiscal year 2014-15 is limited to \$788,571. The Agency requested \$788,751 to repay amounts owed to the Low and Moderate Income Housing Fund (LMIHF). Therefore, of the \$788,751 requested, \$180 of excess repayment is not eligible for funding on this ROPS.
- Item No. 103 – Pass-through payments in the amount of \$38,053. Per HSC section 34183 (a) (1), the County Auditor-controller (CAC) will make the required pass-through payments starting with the July through December 2012 ROPS. Therefore, this item is not eligible for funding on the ROPS.
- Item No. 104 – Although enforceable, the type of service requested in the amount of \$6,000 for consulting services for tax rebate calculation is considered general administrative costs and have been reclassified.

In addition, Finance noted the following:

- 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 and Bond Funds. Therefore, Finance is increasing the Agency's authorization for the ROPS 14-15A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. The increase includes Other Funds for Item No. 40 Property Disposition Costs in the amount of \$2,780, and Bond Funds for the Civic Center Phase I Construction, totaling \$851,930 for the following:

- o Item No. 74 in the amount of \$4,925
- o Item No. 78 in the amount of \$57,637
- o Item No. 80 in the amount of \$5,751
- o Item No. 81 in the amount of \$783,617

This is for informational purposes and should not result in an increase in expenditures for the ROPS 14-15A period, as the increase merely allows the Agency to reconcile actual expenditures to their 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 items denied in whole or in part as enforceable obligations or for 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 RPTTF distribution for the reporting period is \$5,931,557 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	7,440,453
Total RPTTF requested for administrative obligations	183,000
Total RPTTF requested for obligations	\$ 7,623,453
Total RPTTF requested for non-administrative obligations	7,440,453
<u>Denied Item</u>	
Item No. 24	(180)
Item No. 103	(38,053)
	(38,233)
<u>Reclassified Item</u>	
Item No. 104	(6,000)
	(6,000)
Total RPTTF authorized for non-administrative obligations	\$ 7,396,220
Total RPTTF requested for administrative obligations	183,000
<u>Reclassified Item</u>	
Item No. 104	6,000
	6,000
Total RPTTF authorized for administrative obligations	\$ 189,000
Total RPTTF authorized for obligations	\$ 7,585,220
ROPS 13-14A prior period adjustment	(1,653,663)
Total RPTTF approved for distribution	\$ 5,931,557

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 cash 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 cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash 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.

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

Sincerely,



JUSTYN HOWARD

Assistant Program Budget Manager

cc: Mr. Kenneth Farfsing, City Manager, City of Signal Hill
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office