



Transmitted via e-mail

May 17, 2021

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

2021-22 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 7, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Signal Hill Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on January 29, 2021. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 14, 2021.

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 determinations being disputed:

- Item No. 16 – Owner Participation Agreement in the total requested amount of \$3,360,442. Finance continues to partially approve this item. During the Meet and Confer review, the Agency contends the amount requested on the July 1, 2020 through June 30, 2021 (ROPS 20-21) period was underestimated by \$160,442 because it requested funding based on historical actuals of business sales tax. The Agency funded the underestimated amount with cash on hand from its prior period adjustments (PPA) from past ROPS periods. Although the Agency may have underestimated the initial requested amount, the obligation has not gone unfunded. Therefore, of the requested \$3,360,442, \$160,442 requested from Redevelopment Property Tax Trust Fund (RPTTF) is not eligible for funding. Finance further notes the Agency spent more than was authorized for this item during ROPS 20-21. To the extent additional funding is required for the payment of approved enforceable obligations, the Agency should utilize the Amended ROPS process. Pursuant to HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds and source specified on the ROPS, up to the amount authorized by Finance. Additionally, Finance reminds the Agency that funds in excess of the amounts authorized on the ROPS cannot be expended. Any excess funds must be retained and expended once the Agency receives approval for their use on future ROPS.

In addition, per Finance's letter dated April 7, 2021, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- Item No. 8 – 2011 Tax Allocation Parity Bonds. The scheduled debt service payments for the 2011 bonds are approved. However, Finance notes the Agency has excess 2011 bond proceeds. Pursuant to HSC section 34191.4 (c) (2) (C), the remaining proceeds that cannot be spent pursuant to HSC section 34191.4 (c) (2) (A) or (B) shall be used at the earliest date permissible under the applicable bond covenants to defease the bonds or purchase those same outstanding bonds on the open market for cancellation. Therefore, Finance encourages the Agency to use remaining 2011 proceeds to defease the 2011 bonds on the earliest date permitted under the indenture to successfully wind down the Agency.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2018 through June 30, 2019 (ROPS 18-19) period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is \$11,988,681, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Todd Vermillion, Supervisor, or Brian Dunham, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Sharon del Rosario, Administrative Services Officer/Finance Director,
City of Signal Hill
Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution July 2021 through June 2022			
	ROPS A	ROPS B	Total
RPTTF Requested	\$ 7,305,744	\$ 4,916,001	\$ 12,221,745
Administrative RPTTF Requested	294,045	0	294,045
Total RPTTF Requested	7,599,789	4,916,001	12,515,790
RPTTF Requested	7,305,744	4,916,001	12,221,745
<u>Adjustment(s)</u>			
Item No. 16	(160,442)	0	(160,442)
RPTTF Authorized	7,145,302	4,916,001	12,061,303
Administrative RPTTF Authorized	294,045	0	294,045
ROPS 18-19 prior period adjustment (PPA)	(366,667)	0	(366,667)
Total RPTTF Approved for Distribution	\$ 7,072,680	\$ 4,916,001	\$ 11,988,681

ICC: Dunham, Vermillion, Takagi-Galamba, McAllister, McCormick, Whitaker

Final Path: J:\Audits and Review\ROPS 21-22 Letters PDF

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