

November 10, 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

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 14-15B) to the California Department of Finance (Finance) on September 29, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 11 – Financial contract service fee in the amount of \$15,000 is not an obligation of the Agency. Per the Agency, the agreement for consulting services is between the City of Signal Hill (City) and HdL Companies, and the former redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item Nos. 94 through 101 – Reserves for debt service payments totaling \$3,799,961. Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the \$3,799,961 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustee(s). 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. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.
- Item No. 107 – Property disposition cost in the amount of \$145,150 is not an obligation of the Agency. It is our understanding the agreement entered into on April 7, 2014 is between the City and 5M Contracting, Inc., and the Agency is not a party to the contract. Therefore, this line item is not enforceable obligation and not eligible for Reserve Balance funding on this ROPS.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$145,150.

Therefore, the funding source for the following item has been reclassified to Reserve Balances and in the amounts specified below:

- Item No. 89 – Agency Administrative Cost Allowance. The Agency requests \$185,000 of Administrative RPTTF; however, Finance is reclassifying \$145,150 to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$145,150 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances and Administrative RPTTF in the amounts of \$145,150 and \$39,850, respectively totaling \$185,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 RPTTF distribution for the reporting period is \$5,708,916 as summarized in the Approved RPTTF Distribution Table on the next page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	5,881,262
Total RPTTF requested for administrative obligations	210,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 6,091,262</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>5,881,262</b>
<u>Denied Item</u>	
Item No. 11	(1,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>5,880,262</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>210,000</b>
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 89	(145,150)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 64,850</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 5,945,112</b>
ROPS 13-14B prior period adjustment	(236,196)
<b>Total RPTTF approved for distribution</b>	<b>\$ 5,708,916</b>

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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),

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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 Cindie Lor, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting 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