DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

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

Dear Ms. McCaleb:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 06, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Signal Hill Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 28, 2016. Finance issued a ROPS determination letter on April 06, 2016 original letter). Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 12, 2016.

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. 117 – LRPMP Disposition Costs in the amount of $30,000 for ROPS 16-17 funded with Reserve Balances and RPTTF. Finance no longer denies $19,200 of this item but continues to deny $10,800. Finance previously determined that this obligation relates to legal counsel for properties approved for sale on the LRPMP. However, because there is no on-going litigation related to these properties, the item was denied. Additional review of this item indicates that the amount requested is for legal assistance to negotiate the use of the properties and draft purchase and sales agreements for the sale of the properties. However, while disposition costs such as marketing for the sale of properties are eligible for funding, negotiating the use of property is indicative of planning. Pursuant to HSC section 34177.3 (b) the work of winding down the redevelopment agency does not include planning. Therefore, the portion of the request associated with negotiating the use of the property is not allowed. The Agency provided an amended schedule for legal services indicating a total of 80 hours of legal services is needed to draft the four purchase and sale agreements at a rate of $240 hours. Therefore, $19,200 of the amount requested is approved for payment from the Redevelopment Property Tax Trust Fund (RPTTF).

  We note that the Agency requested $15,000 for both the ROPS A and B periods for a total of $30,000. However, for the ROPS B period, the Agency incorrectly requested $15,000 from Reserve Balances instead of RPTTF. As such, as per above, the RPTTF

request has been increased by $4,200 for the ROPS B period and $15,000 in Reserve Balances is denied for the ROPS B period.

In addition, per Finance's letter dated April 06, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 14 – Promissory Note in the amount of $50,200 for the January 1, 2017 through June 30, 2017 (ROPS B). The Agency inadvertently requested Reserve Balances instead of Redevelopment Property Tax Trust Fund (RPTTF). As such, RPTTF funding has been increased by $50,200 and a corresponding reduction in Reserve Balances for the ROPS B period.

- Item No. 23 – Housing Deferral Payment in the amount of $382,944 for the July 1, 2016 through December 31, 2016 (ROPS A) period. The Agency erroneously requested funding in the amount of $382,944. Therefore, the Agency requested RPTTF funding be reduced by $164,017 for the ROPS A period.

- Item No. 89 – Administrative cost allowance in the amount of $387,000 for ROPS 16-17. The Agency requested to reduce the total funding by $8,565 and to fund administrative costs in the amount of $378,435 for the ROPS A period only. As such administrative cost allowance has been increased by $183,435 for the ROPS A period and reduced by $192,000 for the ROPS B period.
- Item No. 103 – Pass-through payments in the outstanding amount of $38,053. The Agency provided correspondence with the Long Beach Community College District, which stated the demand for recalculated pass-through payments was based, in part, on the *Los Angeles Unified School District v. County of Los Angeles* court decision. The correspondence also indicated that all other taxing entities receiving these payments should be a party to a settlement agreement. However, the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. Therefore, this item is not enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 109 and 110 – 2015 Tax Allocation Bonds, Series A and B totaling $2,714,088 funded with RPTTF. The Agency requested Reserves beyond what is needed for these obligations totaling $370,181 for the ROPS A period and wishes to reduce Reserves by $346,550 for Item No. 109 and $23,631 for Item No. 110. As such RPTTF funding has been reduced by $370,181 for the ROPS A period.

- Item Nos. 116 – Long-Range Property Management Plan (LRPMP) Disposition Costs in the amount of $230,000 is partially approved. For the ROPS B period, the Agency requested $115,000 from Reserve Balances; however, per discussion with Agency staff funding should be from RPTTF. As such, RPTTF funding has been increased by $115,000 and a corresponding reduction in Reserves Balances for the ROPS B period.

  The Agency provided a Property Disposition Costs Summary (Summary) comprised of appraisals, general maintenance, City staff costs, legal counsel, demolition, and environmental work, such as well work and soil management plan. Pursuant to HSC section 34177.3 (b), except as required by an enforceable obligation, the work of winding down does not include planning, redesign or design, demolition, alteration, or construction, construction financing, site remediation, site development or improvement, land clearances and seismic retrofits. As such, costs related to demolition and

environmental work is not eligible for funding. Likewise, City staff and legal counsel costs related to property dispositions are not allowed as no supporting documentation was provided to substantiate such costs.

The Summary itemizes a total of $95,000 for appraisals, $52,000 for general maintenance, and $18,000 for title fees. Of the $230,000 requested for ROPS 16-17, only $147,000 of appraisal and general maintenance costs can be funded from RPTTF. While title fees are enforceable, these costs should be paid from proceeds from the sale of property; therefore, $18,000 will be reclassified to Other Funds. Additionally, the excess $65,000 ($230,000 - $147,000 - $18,000) of RPTTF is not allowed for funding.

- Item Nos. 119 through 121 – Reserves for Promissory Note and LRPMP Disposition Costs totaling $180,200. The Agency requested to reduce funding to zero and retire these obligations. As such, RPTTF funding has been reduced by $180,200 for the ROPS A period.

- Item No. 122 – Unfunded 15-16B enforceable obligations in the amount of $314,498 for the ROPS A period. The Agency erroneously requested funding in the amount of $314,498 which is beyond what is needed for this obligation, and requests to reduce RPTTF funding by $63,805. As such, RPTTF funding has been reduced by $63,805 for the ROPS A period.

Except for the items that have been denied in whole or adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $13,068,458 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the ROPS A period, and one distribution for the ROPS B period based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied 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 statutes. 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.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Terri Marsh, Finance Director, City of Signal Hill
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 8,191,362	$ 5,228,517	$ 13,419,879
Requested Administrative RPTTF	195,000	192,000	387,000
Total RPTTF requested for obligations on ROPS 16-17	**8,386,362**	**5,420,517**	**$ 13,806,879**
Adjustment to Agency Requested RPTTF			
Item No. 14	0	50,200	50,200
Item No. 23	(164,017)	0	(164,017)
Item No. 109	(346,550)	0	(346,550)
Item No. 110	(23,631)	0	(23,631)
Item No. 116	0	115,000	115,000
Item No. 117	0	15,000	15,000
Item No. 119	(50,200)	0	(50,200)
Item No. 120	(115,000)	0	(115,000)
Item No. 121	(15,000)	0	(15,000)
Item No. 122	(63,805)	0	(63,805)
Total RPTTF adjustments	**(778,203)**	**180,200**	**(598,003)**
Total RPTTF Requested	7,413,159	5,408,717	12,821,876
Denied Items			
Item No. 103	(38,053)	0	(38,053)
Item No. 116	(32,500)	(32,500)	(65,000)
Item No. 117		(10,800)	(10,800)
	(70,553)	(43,300)	(113,853)
Reclassified Item			
Item No. 116	(9,000)	(9,000)	(18,000)
Total RPTTF authorized	**7,333,606**	**5,356,417**	**$ 12,690,023**
Requested Administrative RPTTF	195,000	192,000	387,000
Adjustment to Agency Requested Administrative RPTTF	183,435	(192,000)	(8,565)
Total Administrative RPTTF authorized	**378,435**	**0**	**$ 378,435**
Total RPTTF approved for distribution	**7,712,041**	**5,356,417**	**$ 13,068,458**