



November 13, 2014

Mr. Julio Morales, Finance Director
City of Huntington Park
6550 Miles Avenue
Huntington Park, CA 90255

Dear Mr. Morales:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huntington Park 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. 1 – 2004 Tax Allocation Bonds. It is our understanding the Huntington Park Financing Authority (Authority) purchased the Agency's 1994 tax allocation bond debt by issuing Authority Refunding Revenue Bonds 2004 Series A (Authority 2004 Revenue Bonds). While the Authority 2004 Revenue Bonds are secured from revenues received by the former RDA's obligation under the 1994 tax allocation bond debt, the Authority 2004 Revenue Bonds are an obligation of the Authority, not the Agency.

The Agency's obligation is under the 1994 tax allocation bond debt, not the Authority 2004 Revenue Bonds. Therefore, Item No. 1's debt obligation should be listed as the Agency's 1994 debt obligation. To ensure the Agency's obligations are met, we are approving funding for Item No. 1 as requested. However, future ROPS should appropriately list the Agency's obligations under the 1994 tax allocation bond debt.

- Item No. 37 – City of Huntington Park emergency loan in the amount of \$3,400,000 is denied. It is our understanding the Agency intends to use the loan proceeds to satisfy a \$3,400,000 arbitrage rebate liability. HSC section 34173 (h) authorizes the City to loan funds to the Agency for enforceable obligations. However, after further review of the arbitrage liability, Finance has determined the liability belongs to the Authority, and not the Agency. Therefore, this item is not an enforceable obligation. The loan associated with this Item No. was also denied in Finance's October 22, 2014 Oversight Board Resolution No. 2014-6 determination letter.

The denied Item No. 37 represents a loan to fund Item No. 27 - Arbitrage Rebate Liability. Although no funding was requested for Item No. 27, this obligation has been

determined to be an obligation of the Authority, and not the Agency. Therefore, Item No. 37 is also denied.

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 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 the item denied in whole or in part or item(s) 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,912,131 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	3,821,226
Total RPTTF requested for administrative obligations	100,000
Total RPTTF requested for obligations on ROPS	\$ 3,921,226
Total RPTTF authorized for non-administrative obligations	3,821,226
Total RPTTF authorized for administrative obligations	100,000
Total RPTTF authorized for obligations	\$ 3,921,226
ROPS 13-14B prior period adjustment	(9,095)
Total RPTTF approved for distribution	\$ 3,912,131

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 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. Agency did not provide its financial records for review. As a result, Finance will continue to work with the Agency after the ROPS 14-15B 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 15-16A.

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), 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: Ms. Fernanda Palacios, Project Manager, Huntington Park
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office