



April 12, 2013

Mr. Dale Hutchinson, Administrator
City of Long Beach
333 West Ocean Boulevard, 3rd Floor
Long Beach, CA 90802

Dear Mr. Hutchinson:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Long Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 26, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 obligation(s):

- Item No. 65 – Senior Art Colony and Annex in the amount of \$739,811 is not an obligation of the agency. It is our understanding these contracts are between the Long Beach Housing Development Company and Long Beach Regal and the former 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 the ROPS.
- Item No. 77 – Promenade North Block in the amount of \$218,750. It is our understanding per OB resolution No. 09-2012, the oversight board approved the amendment, however; the amendment was not submitted for Finance review. In addition, the amendment has not been executed. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. Therefore, the amendment and associated costs are not enforceable and not eligible for RPTTF funding on the ROPS.
- Items No. 94 and 111 – Bond funded projects totaling \$7.3 million. It is our understanding that contracts have not yet been awarded for Item No. 94 (Belwood Apartments) and contracts were awarded after June 27, 2011 for Item No. 111 (Ramona Park Apartments). HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Pursuant to HSC section 34191.4 (c), the Agency's request to use bond funds for these obligations may be permitted once the Agency receives a Finding of Completion from Finance if the bonds were issued prior to January 1, 2011.

- Item No. 117 – Agreements between the City and the Agency in the amount of \$5.2 million. It is our understanding this agreement is for code enforcement and graffiti abatement. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This agreement was issued after the first two years of the former RDA's creation and is not associated with the issuance of debt. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding on the ROPS.
- Item No. 148 – Fire Station 12 in the amount of \$250,000 is not an enforceable obligation. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying existing agreements, obligations, or commitments with any entity for any purpose after June 27, 2011. Therefore, the amendment and associated costs are not enforceable and not eligible for funding on the ROPS.
- Item No. 163 – Long Beach Blvd project in the amount of \$380,000. It is our understanding the related expenses are for remediation of soil and groundwater. The Agency did not provide documentation to support this item. As such, Finance was unable to determine whether this item meets the definition of an enforceable obligation. Therefore, this item is not an enforceable obligation at this time and not eligible for RPTTF funding on the ROPS.
- Claimed administrative costs exceed the allowance by \$328,234. HSC section 34171 (b) limits fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$687,523 in administrative expenses. Although \$753,576 is claimed for administrative cost, Item Nos. 74 and 90 totaling \$262,181 are considered administrative expense and should be counted toward the cap. Therefore, \$328,234 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining item listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$20,135,023 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 25,119,186
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 65	739,811
Item 74*	250,000
Item 77	218,750
Item 90*	12,181
Item 117	601,000
Item 163	380,000
Total approved RPTTF for enforceable obligations	\$ 22,917,444
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	687,523
Minus: ROPS II prior period adjustment	3,469,944
Total RPTTF approved for distribution:	\$ 20,135,023

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. 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 34177.5 (j). 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 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 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.

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Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish at the end.

STEVE SZALAY
Local Government Consultant

cc: Mr. Robert M. Zur Schmiede, Deputy Director, City of Long Beach
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller,
California State Controller's Office