



May 17, 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

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Long Beach Successor Agency (Agency) submitted ROPS 13-14A to Finance for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 24, 2013.

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 item being disputed.

- Item No. 65 – Senior Art Colony and Annex in the amount of \$739,811 is not an obligation of the agency. Finance originally denied this item because 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. The Agency contends that the amount of funds required to complete the Senior Arts Colony project was underestimated. Subsequently, the funds earmarked for the project were remitted to the County Auditor Controller through the Due Diligence Review. Finance continues to deny the item as the funding agreement between the Redevelopment Agency and the City and the affordable housing loan agreement do not specify the Senior Art Colony as the project being constructed.
- 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. The Agency contends that the services for Item Nos. 74 and 90 are not administrative in nature. Item No. 74 relates to a contract executed between the Agency and Downtown Long Beach Associates whereby the Agency will make annual payments in return for economic and development programs

and capital improvements in the Downtown area. Item No. 90 relates to employee costs for the Atlantic Median Improvement project and therefore these costs are for project specific activity.

Based on the additional information provided, Finance no longer considers these items as administrative costs. Therefore, with these adjustments, claimed administrative costs exceed the allowance by \$58,187. 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. Although \$753,576 is claimed for administrative cost, the Agency is eligible for \$695,389 in administrative expenses.

- Items No. 94 and 111 – Bond funded projects totaling \$7.3 million. Finance is no longer objecting to these items. Finance originally denied the items because 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.

The Agency contends that Finance approved the use of bond funds for the construction of the two projects through a ROPS III Meet and Confer letter dated January 10, 2013. Because the Agency has met the requirements outlined in HSC section 34176 (g) (1) (A) to utilize the housing bond proceeds, these items are considered enforceable obligations.

- Item No. 117 – Agreements between the City and the Agency in the amount of \$5.2 million for code enforcement and graffiti abatement. Finance continues to deny this item. Finance originally denied the item per HSC section 34171 (d) (2) which 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. Finance is no longer objecting to this item. Finance originally denied the item because 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. The Agency contends that the original construction contract has not been amended. Due to the default by the general contractor, Great America Insurance (Surety) is contractually obligated to complete the project. The Agency is required to make the remaining construction payments to the Surety. Therefore, the item is an enforceable obligation.
- Item No. 163 – Long Beach Blvd. project in the amount of \$380,000 for remediation of soil and groundwater. Finance originally denied the item because the Agency did not provide documentation to support this item.

The Agency contends that the item was included on ROPS II, and approved by Finance. However, remediation of the site was not completed within the ROPS II timeframe and additional funds were requested on ROPS 13-14A in order to complete the required remediation work. The Agency provided a remediation action plan completed by CSC Engineers for review. Finance continues to deny this item as the consultant agreement between the RDA and Overland Pacific & Cutler, Inc. who subcontracted the remediation work to SCS Engineers expired on May 17, 2012. HSC section 34163 (b) prohibits redevelopment agency from entering into a contract with any entity after June 27, 2011.

In addition, per Finance's ROPS letter dated April 13, 2013, the following items continue to be denied and were not contested by the Agency:

- 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.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$20,405,070 as summarized below:

<b>For the period of July through December 2013</b>	
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 77	218,750
Item 117	601,000
Item 163	380,000
Total approved RPTTF for enforceable obligations	<u>\$ 23,179,625</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>695,389</u>
Minus: ROPS II prior period adjustment	<u>(3,469,944)</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 20,405,070</b>

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 (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 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.

Please direct inquiries to Chikako Takagi-Galamba, Manager or Anna Kyumba, Lead Analyst at (916) 445-1546.

Sincerely,



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