



April 30, 2012

Lori Ann Farrell, Director of Finance
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648-2702

Dear Ms. Farrell:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Huntington Beach Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 17, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

- Items 1 through 17 and 19 through 25 on page totaling \$71.8 million. It is our understanding that these amounts are for loans or advances from various city funds. HSC section 34171(d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations.
- Administrative expenses totaling \$313,894 (see Attachment A). HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$313,894 of the claimed \$563,894 is not allowed.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: On following page

Ms. Farrell
April 30, 2012
Page 2

cc: Robert Hall, Deputy City Administrator, City of Huntington Beach
Kellee Fritzal, Deputy Director of Economic Development, City of Huntington Beach
Frank Davies, Administrative Manager, Orange County

Attachment A

Administrative Cost Calculation For the period January – June 2012

Allowable Administrative Costs	
Total claimed from RPTTF (pages 1-5)	11,164,176
(Less disallowed items 1-17 and 19-25):	6,307,284
Total funded from RPTTF:	4,856,892
5% Property tax allocation:	242,845
Allowable Administrative Costs (Greater of 5% or \$250,000):	\$ 250,000

Items Qualifying as Administrative Costs			
Page	Line Item	Description	Amount claimed for January - June 2012
3	6	Legal costs	\$ 160,000
3	7	Compliance audit	5,042
3	8	Legally binding and enforceable agreement for continued administration and operation of Successor Agency	75,000
6	1	Successor Agency administrative obligations	318,601
6	2	Successor Agency administrative obligations	5,251
Total Claimed:			563,894
Less Allowable Administrative Costs:			250,000
Administrative Amount Disallowed:			\$ 313,894