



April 11, 2019

Ms. Lori Ann Farrell, Director of Finance
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

Dear Ms. Farrell:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Huntington Beach Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on February 1, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 105 and 106 – Unfunded Employee Pension and Retirement Obligations, outstanding obligation amounts totaling \$3,655,295, are not allowed. The Agency previously requested funding as Item Nos. 23, 24, and 26, and as Item Nos. 90 and 91; no funding is requested for these duplicated items on the current ROPS. Finance continues to deny these items. Finance originally denied these items as the agreement entered into on March 17, 2008 with respect to these obligations is between the California Public Employees' Retirement System (CalPERS) and the City Council of the City of Huntington Beach (City Council). The Agency did not provide any other documentation to support the items as enforceable during this period.

Absent a contract or agreement, the Agency's responsibility for payment of these obligations is not legally enforceable. Because the only agreement provided to Finance is between the City Council and CalPERS, the Agency's request for payment of these obligations is not allowed. Therefore, these items are not enforceable obligations and requested amounts of \$138,054 from Other Funds and \$233,712 from Redevelopment Property Tax Trust Fund (RPTTF) funding, totaling \$371,766, are not allowed as specified below:

Item No.	Project / Obligation Name	Total Outstanding	RPTTF Requested	Other Funds Requested
105	Unfunded Pension Liabilities	\$3,438,056	\$138,054	\$138,054
106	Unfunded Retirement Liabilities	217,239	95,658	0
	Total	\$3,655,295	\$233,712	\$138,054

- Item Nos. 107 through 118 – Loan payments to the City of Huntington Beach (City), outstanding obligation amounts totaling \$71,556,290, are not allowed. Finance continues to deny these items. The Agency previously requested funding for these as Item Nos. 32, 41 through 44, 46 through 49, 79 through 89, and 93 through 104; no funding is requested for these duplicate items on the current ROPS. Finance previously denied these items for the following reasons:
 - Oversight Board (OB) Resolution Nos. 2017-03 through 2017-14, inclusive, finding loans made by the City to the former Redevelopment Agency (RDA) in the amounts of \$55,395,638 as enforceable obligations and finding the loans were for legitimate redevelopment purposes, were denied in our determination letter dated March 10, 2017.
 - The Agency was unable to provide documentation supporting these items as loans pursuant to HSC section 34191.4 (b). Specifically, the Agency was unable to support the outstanding principal balance of the loans and it was not clear whether the loans were monetary loans or a transfer of interest in real property.
 - The Agency was unable to substantiate the periodic amounts loaned by the City as well as the amounts periodically repaid by the Agency to the City.
 - OB Resolution Nos. 2017-15 through 2017-26, finding that loans made by the City to the former RDA were for legitimate redevelopment purposes and approving the loans as enforceable obligations and the schedule for repayment of said loans, in accordance with HSC section 34191.4 (b), were denied in our determination letter dated May 17, 2017.

The Agency did not provide any new documentation during ROPS 19-20. Therefore, these items are not enforceable obligations and the requested amounts totaling \$7,646,815 are not allowed as specified below:

Item No.	Project Name/ Debt Obligation	RPTTF Amount Requested
107	Land Sale Emerald Cove	\$ 606,608
108	Emerald Cove 2010 Series A Lease Revenue Refunding Bonds	390,038
109	Huntington Center Redevelopment Plan Development	200,948
110	Main-Pier Redevelopment Project Phase II	241,080
111	Development of Downtown Main-Pier Project Area	179,426
112	Third Block West Commercial/Residential Project	1,025,834
113	Second Block Alley and Street Improvement Project	16,932
114	Strand Project	6,268
115	Pierside Hotel/Retail/Parking Structure Project	27,320
116	Waterfront Commercial Master Site Plan	4,082,201
117	Strand Project	839,896
118	Operative Agreement for the Huntington Beach Redevelopment Project	30,264
Total		\$7,646,815

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$853,460 from Reserve Balances available to fund enforceable obligations on the ROPS 19-20, and an additional \$138,054 from Other Funds now available from Item No. 105, totaling \$991,514. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 3 – 2002 Tax Allocation Refunding Bonds, debt service payment in the amount of \$1,615,000 has been partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$623,486, the use of Reserve Balances in the amount of \$853,460, and the use of Other Funds in the amount of \$138,054, totaling \$1,615,000.
- Finance notes the Agency has listed several item numbers several times on the ROPS. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. ROPS Instructions state that Agencies must maintain the existing line item numbers and should only create a new line item for a new obligation that was not on a prior ROPS. Future ROPS not completed in a manner provided by Finance may be rejected in its entirety and returned to the OB for reconsideration. The Agency should make an effort to identify and retire all duplicated line items from the ROPS.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 5 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items that are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,543,050 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:


<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 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 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 redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Kellee Fritzal, Deputy Director of Economic Development, City of Huntington Beach
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 7,335,920	\$ 7,853,182	\$ 15,189,102
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	7,460,920	7,978,182	15,439,102
RPTTF Requested	7,335,920	7,853,182	15,189,102
<u>Adjustments</u>			
Item No. 3	(991,514)	0	(991,514)
Item No. 105	0	(138,054)	(138,054)
Item No. 106	(47,829)	(47,829)	(95,658)
Item No. 107	(303,304)	(303,304)	(606,608)
Item No. 108	(195,019)	(195,019)	(390,038)
Item No. 109	(100,474)	(100,474)	(200,948)
Item No. 110	(120,540)	(120,540)	(241,080)
Item No. 111	(89,713)	(89,713)	(179,426)
Item No. 112	(512,917)	(512,917)	(1,025,834)
Item No. 113	(8,466)	(8,466)	(16,932)
Item No. 114	(3,134)	(3,134)	(6,268)
Item No. 115	(13,660)	(13,660)	(27,320)
Item No. 116	(2,041,100)	(2,041,101)	(4,082,201)
Item No. 117	(419,948)	(419,948)	(839,896)
Item No. 118	(15,132)	(15,132)	(30,264)
	(4,862,750)	(4,009,291)	(8,872,041)
RPTTF Authorized	2,473,170	3,843,891	6,317,061
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	2,598,170	3,968,891	6,567,061
Prior Period Adjustment	(24,011)	0	(24,011)
Total RPTTF Approved for Distribution	\$ 2,574,159	\$ 3,968,891	\$ 6,543,050