



April 12, 2013

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

Dear Ms. Farrell:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Huntington 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 obligations:

- Item Nos. 3 and 4 – 2002 and 1999 Tax Allocation Refunding Bonds totaling \$23,062,446. It is our understanding the Agency has requested full year funding for these debt service payments during each ROPS period, resulting in sufficient reserves. HSC section 34171(d)(1(A) allows for a reserve, when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year. Therefore, while these items are enforceable obligations they are not approved to receive RPTTF for this period and instead Finance is changing the funding source to reserves.
- Item No. 53 – 2010 Emerald Cove Lease Revenue Refunding Bonds in the amount of \$404,931, funded by bond proceeds. This bond is secured solely through lease payments of the City of Huntington Beach (City). This item also lists its funding source as Low-Moderate Income Housing Fund (LMIHF) reserves. HSC section 34177 (d) requires that all such reserves be remitted to the county auditor-controller for distribution to affected taxing entities. Therefore, the LMIHF cannot be a funding source for this item, and any LMIHF reserves should be remitted to the county auditor controller.

Additionally, this item was denied as on inclusion to the ROPS in our letter dated October 11, 2012, and later upheld during the Meet and Confer process in our letter dated December 18, 2012. This item is not an enforceable obligation.

- Administrative costs funded by RPTTF exceed the allowance by \$147,584. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the

successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$108,887. Therefore, \$147,584 of the claimed \$397,584 is not an enforceable obligation. The following items were considered administrative expenses and therefore have been reclassified:

- Item No. 27 – Unused Employee General Leave
- Item No. 33 – Assessment for AES Property Tax Valuation
- Item No. 34 – Employee Costs
- Item No. 35 – Employee Costs
- Item No. 39 – Legal Expenses
- Item No. 40 – Economic Analysis Services
- Item No. 51 – Property Maintenance
- Item No. 52 – Weed Control

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. 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 \$3,879,581 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 6,525,998
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 3	1,340,469
Item 4	604,144
Item 19	750,000
Item 27	25,688
Item 33*	5,000
Item 34*	11,700
Item 35*	9,666
Item 39*	75,000
Item 40*	70,000
Item 51*	750
Item 52*	4,000
Total approved RPTTF for enforceable obligations	\$ 3,629,581
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	250,000
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 3,879,581

*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_13-14A_Forms_by_Successor_Agency/).

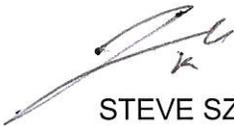
This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are 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 Nichelle Thomas, Supervisor or Alex Watt, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kellee Fritzal, Deputy Director of Economic Development
Mr. Frank Davies, Property Tax Manager, County of Orange
California State Controller's Office