DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 8, 2013

Ms. Lisa Fall, Admin. & Finance Bureau Manager
City of Long Beach
333 West Ocean Boulevard, 3rd Floor
Long Beach, CA 90802

Dear Ms. Fall:

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 13-14B) to the California Department of Finance (Finance) on September 24, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item Nos. 62 and 181 – Pine Avenue Streetscape Improvement project management costs in the amount of $660,000. It is our understanding the Agency received a Finding of Completion on April 26, 2013, and therefore, the Pine Avenue Streetscape Improvement Project is eligible to be funded with 2010 bond proceeds. Therefore, project management costs should also be funded with bond proceeds. As such, funding for these items has been reclassified to bond proceeds.

- Item No. 99 – Fire Station 12 Litigation totaling $500,000 is not an obligation of the Agency. It is our understanding the settlement agreements entered into on April 23, 2012 is between the City of Long Beach, Armand Gonzalez, Inc. and Great American Insurance Company; the former redevelopment agency (RDA) is not a party to the contract. Additionally, in Finance's letter dated February 25, 2013, OB Resolution No. 02-2013, which authorized the city manager to execute a settlement agreement with Great American Insurance Company and Armando Gonzalez, Inc., was denied. Therefore, this line item is not an enforceable obligation and is not eligible for RPTTF funding.

- Item No. 179 – Repayment of the promissory note to the Long Beach Housing Development Company in the amount of $8,360,439. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B technically falls within fiscal year 2013-14, the

repayment of this loaned amount is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, this item is not eligible for funding at this time.

- Item No. 189 – MTA Grant Match in the amount of $225,231 is not an enforceable obligation. It is our understanding that contracts for this line item has not yet been awarded. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $143,599. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The Los Angeles Auditor-Controller's Office distributed $695,389 administrative costs for the July through December 13-14 period, thus leaving a balance of $369,300 available for the January through June 13-14 period. Although $512,899 is claimed for administrative cost, only $369,300 is available pursuant to the cap. Therefore, $143,599 of excess administrative costs is not allowed.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is $9,790,885 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	17,745,708
Total RPTTF requested for administrative obligations	512,899
Total RPTTF requested for obligations	**$ 18,258,607**
Total RPTTF requested for non-administrative obligations	**17,745,708**
Denied Items	
Item No. 99	(500,000)
Item No. 179	(4,180,470)
Item No. 189	(225,231)
	(4,905,701)
Reclassified Items	
Item No. 62	(30,000)
Item No. 181	(500,000)
	(530,000)
Total RPTTF approved for non-administrative obligations	**12,310,007**
Total RPTTF for administrative obligations	**512,899**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	**369,300**
Total RPTTF approved for obligations	**12,679,307**
ROPS III prior period adjustment	(2,888,422)
Total RPTTF approved for distribution	**$ 9,790,885**

Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	23,179,625
Total RPTTF for 13-14B (January through June 2014)	12,310,007
Total RPTTF for fiscal year 2013-14	**35,489,632**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)	1,064,689
Administrative allowance for 13-14A (July through December 2013)	695,389
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	**369,300**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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 Kylie Le, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Amy J Bodek, Development Services Director, City of Long Beach
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office