



November 5, 2014

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 14-15B) to the California Department of Finance (Finance) on September 24, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 146 – Atlantic Avenue Median Improvement in the amount of \$70,000 is not an enforceable obligation. No documentation was provided to support the amount requested. To the extent the Agency can provide suitable documentation, such as the executed contract or vendor invoices, to support the requested funding, the Agency may be able to obtain funding on future ROPS. Therefore, this item is not eligible for Other Funding on this ROPS.
- Item Nos. 159, 178, 181, 202 and 218 – Various project specific costs for bond funded projects totaling \$365,000 in Other Funds and Redevelopment Property Tax Trust Fund (RPTTF) funding have been reclassified to Bond Proceeds funding. These project specific costs are expenses needed for the support of projects that are being funded via bond proceeds. Since these projects are funded via bond proceeds, the costs associated with these projects should also be funded via bond proceeds. Therefore, a total of \$193,200 requested for these line items are not eligible for RPTTF or Other Funds on this ROPS.
- Item Nos. 210 and 223 – Demolition of the Old Courthouse and related project costs in the amount of \$1,575,000 are not enforceable obligations. Insufficient documentation was provided to support the amounts requested. The Agency provided a draft seismic study report, which was missing the workshop results page. However, this document is insufficient to support the requested amounts because no final report has been issued to support demolition of the building is required. To the extent the Agency can provide

suitable documentation, such as the executed contract or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF on future ROPS.

Since Item No. 223 is not enforceable, the staff, legal, and engineering costs associated with this project is not allowed. Therefore, Item No. 210 totaling \$75,000 is not an enforceable obligation and not eligible for RPTTF funding.

- Item Nos. 215 and 216 – Promenade Property Management costs in the amount of \$160,000 are not obligations of the Agency. It is our understanding these agreements entered into on November 21, 1995 are between the City of Long Beach and City Light & Power Inc.; the former redevelopment agency (RDA) is not a party to the contract. Additionally, the costs for this project are associated with properties that are not owned by the Agency; therefore, these line items are not enforceable obligations and are not eligible for Other Funds funding.
- Item Nos. 217, 220 and 221 – Various projects in the amount of \$200,000 are not enforceable obligations. The amounts requested are for costs related to new constructions, upgrades, planning and obtaining permits for new developments or upgrades on a property. The Agency may request funding to maintain or upkeep properties owned by the Agency prior to disposition, but these costs do not qualify as property maintenance. Therefore, these line items are not eligible for RPTTF or Other Funding.
- Item 224 – LAUSD Pass through Calculation in the amount of \$50,000 is not an enforceable obligation. The Agency provided documents from the Superior Court of the State of California for the case between the Los Angeles Unified School District versus the County of Los Angeles. However, the writ requires the recalculation of pass through payments to be performed by Los Angeles County and the Los Angeles County Auditor Controller. Therefore, the requested amount for the calculation of pass through payments is not required and is not eligible for RPTTF funding.

Finance would like to note:

- Item Nos. 112 and 114 – 2002 and 2005 Tax Allocation Bonds. The Agency requested to increase the reserve amounts requested for debt service payments due in the second half of the calendar year. Therefore, RPTTF funding for Item Nos. 112 and 114 have been increased by \$2,908,027 and \$11,188,944 respectively.

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the \$14,096,971 requested to be held in reserve along with the amounts required for the current ROPS period should be transferred upon receipt to the bond trustee(s). The amounts approved for debt service payments on this ROPS are restricted for that purpose and are not authorized to be used for other ROPS items. Any requests to fund these debt service items again in the ROPS 15-16A period will be denied unless insufficient RPTTF was received to satisfy the approved annual debt service payments.

- Item 219 – Davenport Park Landfill Closure Plan in the amount of \$100,000. Per the Agency's request, the \$50,000 in Other Funds funding was changed to zero as it was requested unintentionally.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$1,131,713.

Therefore, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item Nos. 27, 28, 29, 74, 123, 124 and 199 – Various line items in the amount totaling \$1,141,000. The Agency requests \$1,141,000 of RPTTF; however, Finance is reclassifying \$1,131,713 to Other Funds. The items are enforceable obligations for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$1,131,713 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$9,287 and the use of Other Funds in the amount of \$1,131,713, totaling \$1,141,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 distribution for the reporting period is \$20,159,757 as summarized in the Approved RPTTF Distribution Table on the next page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	12,489,726
Total RPTTF requested for administrative obligations	337,348
Total RPTTF requested for obligations on ROPS	\$ 12,827,074
RPTTF adjustment to non-administrative obligations (Item No. 112 and 114)	14,096,971
RPTTF adjustment to administrative obligations	0
Total RPTTF adjustments	\$ 14,096,971
Total RPTTF requested for non-administrative obligations	26,586,697
<u>Denied Items</u>	
Item No. 210	(40,000)
Item No. 220	(25,000)
Item No. 221	(25,000)
Item No. 223	(1,500,000)
Item No. 224	(50,000)
	(1,640,000)
<u>Reclassified Items</u>	
Item No. 159	(23,200)
Item No. 178	(50,000)
	(73,200)
Total RPTTF for non-administrative obligations	24,873,497
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 27	(100,000)
Item No. 28	(300,000)
Item No. 29	(116,000)
Item No. 74	(175,000)
Item No. 123	(100,000)
Item No. 124	(100,000)
Item No. 199	(240,713)
	(1,131,713)
Total RPTTF authorized for non-administrative obligations	\$ 23,741,784
Total RPTTF requested for administrative obligations	337,348
Total RPTTF authorized for administrative obligations	\$ 337,348
Total RPTTF authorized for obligations	\$ 24,079,132
ROPS 13-14B prior period adjustment	(3,919,375)
Total RPTTF approved for distribution	\$ 20,159,757

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency. The Agency was able to support the all amounts reported except the amounts reported under revenues. Therefore, as noted above, Finance has reclassified the available cash balances of \$1,131,713 that were supported by the Agency's records. Finance will continue to work with the Agency after the ROPS 14-15B review period to resolve any remaining issues as described above. If it is determined the Agency possesses additional cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

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, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Cindie Lor, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

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