



November 18, 2015

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) (1) (A), the City of Huntington Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 5, 2015. Finance has completed its review of the ROPS 15-16B.

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

- Item No. 13 – Hyatt Hilton Properties US Department of Housing and Urban Development Section 108 Infrastructure loan repayment in the amount of \$487,272 is partially allowed. The Agency requests \$458,636 for the repayment due January through December 2016.

HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding Redevelopment Agency (RDA) bonds. However, the statute does not currently recognize all anticipated obligations for the next ROPS period, thus, the creation of reserves for such items are not permissible. Therefore, Finance approves \$28,636 which is due during the ROPS 15-16B period, and the excess, \$458,636 (\$487,272 - \$28,636) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

- Item No. 15 – Strand Project Additional Parking in the amount of \$49,576 is not allowed. While the item is an enforceable obligation, the payment is not due until September 2016. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding RDA bonds. However, the statute does not currently recognize all anticipated obligations for future ROPS periods, thus, the creation of reserves for such items are not permissible. Therefore, this item is not eligible for RPTTF funding on this ROPS.
- Item No. 30 – Bella Terra Phase II Property Tax Sharing Agreement in the amount of \$1,129,511 has been reclassified. The Agency requests RPTTF in the amount of \$1,129,511. However, Finance is reclassifying \$200,000 to Other Funds, as funding for the Agency's Administrative Cost Allowance (ACA) has been adjusted with the Agency's

consent. Therefore, Finance is approving RPTTF in the amount of \$929,511, and the use of Other Funds in the amount of \$200,000, totaling \$1,129,511 for this item.

- Item Nos. 69 and 70 – Various Obligations totaling \$1,992,360 are not allowed. According to documentation provided by the Agency, payments for these obligations are not due until September 1 of each year, indicating a payment will not be due during the ROPS 15-16B period. HSC section 34177 (b) allows reserves required for indentures, trust indentures, or similar documents governing the issuance of outstanding RDA bonds. The statute does not currently recognize all anticipated obligations for future ROPS periods, thus, the creation of reserves for these items is not permissible. Therefore, these items are not eligible for RPTTF funding on this ROPS.
- Item No. 71 – Housing Authority Administrative Cost Allowance in the amount of \$150,000 is not an enforceable obligation. Finance continues to deny this item. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Huntington Beach assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.
- The Agency's claimed administrative costs exceed the allowance by \$375,000. Pursuant to HSC section 34171 (b) (2), the administrative cost allowance (ACA) shall be up to three percent of the total RPTTF funding allocated to the Redevelopment Obligation Retirement Fund for fiscal year, or \$250,000, whichever is greater. The Orange County Auditor-Controller (CAC) distributed \$250,000 for the ACA for the July through December 2015 period, leaving no funds available for the January through June 2016 period. Pursuant to the cap, no funding is available for the ACA.

Although \$250,000 is claimed for administrative cost, Item Nos. 39 and 40 for Legal Expenses totaling \$125,000 are considered administrative expenses and should be counted toward the cap. Therefore, \$375,000 of excess ACA is not allowed.

Additionally, the Agency claimed an additional \$200,000 from Other Funds for the ACA. Therefore, \$200,000 of excess ACA requested from Other Funds is not allowed, and Finance has reclassified Other Funds to Item No. 30 as detailed above. To the extent the Agency has Other Funds or Reserve Balances available, Finance reminds the Agency to use these funds to pay other enforceable obligations approved on future ROPS pursuant to HSC section 34177 (l) (1) (E).

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with

Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,961,952 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2016</b>	
Total RPTTF requested for non-administrative obligations	6,975,105
Total RPTTF requested for administrative obligations	250,000
<b>Total RPTTF requested for obligations on ROPS 15-16B</b>	<b>\$ 7,225,105</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>6,975,105</b>
<u>Denied Items</u>	
Item No. 13	(458,636)
Item No. 15	(49,576)
Item No. 69	(677,904)
Item No. 70	(1,314,456)
Item No. 71	(150,000)
	(2,650,572)
<u>Reclassified Items</u>	
Item No. 30	(200,000)
Item No. 39	(75,000)
Item No. 40	(50,000)
	(325,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 3,999,533</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>250,000</b>
<u>Reclassified Items</u>	
Item No. 39	75,000
Item No. 40	50,000
	125,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(375,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 3,999,533</b>
ROPS 14-15B prior period adjustment	(37,581)
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,961,952</b>

<b>Administrative Cost Cap Calculation</b>	
Total RPTTF for 15-16A (July through December 2015)	3,855,063
Total RPTTF for 15-16B (January through June 2016)	3,999,533
<b>Total RPTTF for fiscal year 2015-2016</b>	<b>7,854,596</b>
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(250,000)
<b>Remaining administrative cost cap for ROPS 15-16B</b>	<b>0</b>
ROPS 15-16B administrative obligations after Finance adjustments	(375,000)
<b>Administrative costs in excess of the cap</b>	<b>\$ (375,000)</b>

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was 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 the redevelopment dissolution statutes. 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Kellee Fritzal, Deputy Director of Economic Development, City of Huntington Beach  
Mr. Frank Davies, Property Tax Manager, Orange County