



April 14, 2016

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

Dear Ms. Farrell:

Subject: 2016-17 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 a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 29, 2016. Finance has completed its review of the ROPS 16-17.

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

- Item Nos. 72, 73, and 74 – Various Construction Projects. Finance noted that the Agency created new Item Nos. 72, 73, and 74, which are formerly listed as Item Nos. 14, 15, and 29. While funding for these items has been approved, Finance has reinstated Item Nos. 14, 15, and 29 and retired Nos. 72, 73, and 74 to eliminate duplication. In the future, the Agency 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.
- Item No. 76 – Project Management Costs in the total outstanding amount of \$12,025 are not allowed. The Agency provided documentation estimating the total amount; however, these documents are insufficient to support the amount because the type and nature of the services provided cannot be verified. In addition, the Agency was unable to provide a contract entered into before June 28, 2011. To the extent the Agency can provide documentation, such as an executed, Oversight Board approved contract, or vendor invoices, to support the requested funding; the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funding in the future. Therefore, this item is not an enforceable obligation and the requested amount of \$12,025 is not eligible for RPTTF for the ROPS 16-17 period.
- Item No. 77 – Project Management Costs in the total outstanding amount of \$9,400 are not allowed. It is our understanding the contract for this line item was awarded after June 27, 2011. 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 the requested amount of \$9,400 for the ROPS 16-17 period is not eligible for RPTTF funding.

- Item No. 78 – Project Management Costs in the total outstanding amount of \$87,140 are not allowed. It is our understanding the agreement entered into on October 8, 2014 is between Keyser Marston Associates, Inc. and the City of Huntington Beach (City); the Agency is not a party to the contract. Therefore, this item is not an enforceable obligation and the requested amount of \$87,140 is not eligible for RPTTF funding for the ROPS 16-17 period.
- The Agency's claimed administrative costs exceed the allowance by \$245,549. HSC section 34171 (b) (3) limits the fiscal year 2016-17 Administrative Cost Allowance (ACA) to three percent of actual distributed RPTTF in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the distributed RPTTF in the preceding fiscal year. As a result, the Agency's maximum ACA is \$250,000 for the fiscal year 2016-17.

Although \$250,000 is claimed for administrative costs, Item Nos. 39 and 40 for Legal Expenses totaling \$200,000, and Item No. 75 for Agency Expenses totaling \$45,549 are considered administrative expenses and should be counted toward the cap. Therefore, \$245,549 of excess ACA is not allowed.

- On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. 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 our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, with the Agency's consent, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:
  - Item No. 30 – Bella Terra Phase II Property Tax Sharing Agreement in the amount of \$1,103,009. The Agency requested \$1,103,009 from RPTTF; however, Finance is reclassifying \$234,628 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$234,628 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$868,381 and the use of Other Funds in the amount of \$234,628, totaling \$1,103,009 for the ROPS 16-17 period.

Except for the items denied in whole or in part or the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, 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 \$7,264,959 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

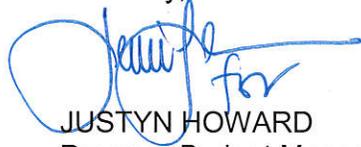
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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,

A handwritten signature in blue ink, appearing to read "Justyn Howard", with a stylized flourish extending to the right.

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

Attachment

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 6,549,772	\$ 1,053,929	\$ 7,603,701
Requested Administrative RPTTF	125,000	125,000	250,000
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>6,674,772</b>	<b>1,178,929</b>	<b>\$ 7,853,701</b>
<b>Total RPTTF requested</b>	<b>6,549,772</b>	<b>1,053,929</b>	<b>7,603,701</b>
<u>Denied Items</u>			
Item No. 76	(12,025)	0	(12,025)
Item No. 77	(9,400)	0	(9,400)
Item No. 78	(87,140)	0	(87,140)
	<u>(108,565)</u>	<u>0</u>	<u>(108,565)</u>
<u>Reclassified Items</u>			
Item No. 30	(234,628)	0	(234,628)
Item No. 39	(50,000)	(50,000)	(100,000)
Item No. 40	(50,000)	(50,000)	(100,000)
Item No. 75	(45,549)	0	(45,549)
	<u>(380,177)</u>	<u>(100,000)</u>	<u>(480,177)</u>
<b>Total RPTTF authorized</b>	<b>6,061,030</b>	<b>953,929</b>	<b>\$ 7,014,959</b>
<b>Total Administrative RPTTF requested</b>	<b>125,000</b>	<b>125,000</b>	<b>250,000</b>
<u>Reclassified Items</u>			
Item No. 39	50,000	50,000	100,000
Item No. 40	50,000	50,000	100,000
Item No. 75	45,549	0	45,549
	<u>145,549</u>	<u>100,000</u>	<u>245,549</u>
Total Administrative RPTTF after Finance adjustments	<u>270,549</u>	<u>225,000</u>	<u>495,549</u>
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	(20,549)	(225,000)	(245,549)
<b>Total Administrative RPTTF authorized</b>	<b>250,000</b>	<b>0</b>	<b>\$ 250,000</b>
<b>Total RPTTF approved for distribution</b>	<b>6,311,030</b>	<b>953,929</b>	<b>\$ 7,264,959</b>

<b>Administrative Cost Allowance Cap Calculation</b>	
Actual RPTTF distributed for fiscal year 2015-16	\$ 7,780,835
Less sponsoring entity loan and Administrative RPTTF	0
Actual RPTTF distributed for 2015-16 after adjustment	<u>7,780,835</u>
Administrative Cap for 2016-17 per HSC section 34171 (b)	250,000
ROPS 16-17 Administrative RPTTF after Finance adjustments	495,549
<b>Administrative Cost Allowance in excess of the cap</b>	<b>\$ (245,549)</b>