DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 7, 2016

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: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Long 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 28, 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 No. 5 – Unfunded Pension Liabilities in the amount of $6,681,000 is partially allowed. Although this item is considered an enforceable obligation, Finance has determined that the amount requested is excessive for a single ROPS period. A reasonable payment schedule for this $6,681,000 in unfunded pension liability allocated over five years results in ten bi-annual payments of $668,100 and will cause the least amount of disruption to the taxing entities. Therefore, $1,336,200 of unfunded pension obligation is payable in ROPS 16-17. The remaining balance of $5,344,800 requested from Redevelopment Property Tax Trust Fund (RPTTF) is not approved for funding at this time, and should continue to be placed on future ROPS until the obligation is retired.

- Item No. 121 – Property dispositions cost in the amount of $10,000 from is not allowed. The Agency confirmed this obligation is a duplicate of Item No. 70. Therefore, this item is not an enforceable obligation and not eligible for funding from Reserve Balances or Other Funds.

- Item No. 193 – Property remediation cost in the amount of $380,000 is not allowed. It is our understanding the cost relates to Agency owned property and remediation is necessary to assist with property disposition. Pursuant to HSC section 34177.3 (b), the work of winding down does not include site remediation except as required by an enforceable obligation. The Agency claims the remediation is required by the Los Angeles Regional Water Quality Control Board (LAWQCB). However, the LAWQCB letter dated July 1, 2013 requires the City of Long Beach (City) to take corrective action in response to an unauthorized underground storage tank release. The July 1, 2013 letter does not in any way create an enforceable obligation that must be fulfilled by the

Agency. Therefore, this item is not an enforceable obligation and not eligible for funding in Reserve Balances.

- The claimed administrative costs exceed the allowance by $189,988.
  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 $859,236 for the fiscal year 2016-17. Although $1,049,224 is claimed for administrative cost, only $859,236 is available pursuant to the cap. Therefore, $189,988 of excess administrative cost is not allowed.

Except for the items denied in whole or in part, 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/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $44,592,090 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 Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

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

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 22,546,082	$ 26,721,572	$ 49,267,654
Requested Administrative RPTTF	429,625	429,599	859,224
Total RPTTF requested for obligations on ROPS 16-17	**22,975,707**	**27,151,171**	**$ 50,126,878**
Total RPTTF Requested	22,546,082	26,721,572	**49,267,654**
Denied Items			
Item No. 5	(5,344,800)	0	(5,344,800)
Total RPTTF authorized	**17,201,282**	**26,721,572**	**$ 43,922,854**
Total Administrative RPTTF requested	429,625	429,599	**859,224**
Administrative costs in excess of the cap (see Administrative Cost Allowance Cap table below)	0	(189,988)	(189,988)
Total Administrative RPTTF authorized	429,625	239,611	**$ 669,236**
Total RPTTF approved for distribution	**17,630,907**	**26,961,183**	**$ 44,592,090**

Administrative Cost Allowance Cap Calculation	
Actual RPTTF distributed for fiscal year 2015-16	$ 29,528,659
Less sponsoring entity loan and Administrative RPTTF	887,458
Actual RPTTF distributed for 2015-16 after adjustment	28,641,201
Administrative Cap for 2016-17 per HSC section 34171 (b)	859,236
ROPS 16-17 Administrative RPTTF after Finance adjustments	1,049,224
Administrative Cost Allowance in excess of the cap	**$ (189,988)**