



October 14, 2012

Mr. Dale Hutchinson, Administrator  
City of Long Beach  
333 W. Ocean Blvd., 3<sup>rd</sup> floor  
Long Beach, CA 90802

Dear Mr. Hutchinson:

**Subject: Recognized Obligation Payment Schedule**

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Long Beach as Successor Agency to the Redevelopment Agency of the City of Long Beach (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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:

- Item No. 2, 11, 22, 30 through 35, 37, 40 through 43, 48, 49, 53 through 56, 58 through 60, 64, 66 through 68, 72, and 85 through 87 totaling \$770,344 are identified as obligations of the housing entity. HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Long Beach assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding.
- Item No. 8 in the amount of \$8.3 million is a contract between the City and the redevelopment agency. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. Therefore this item is not available for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 39, 47, 61, 88, 91, 94, 104, and 111 totaling \$40.7 million. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items have not yet been awarded. Therefore, these line items are not enforceable obligations and are

not available for RPTTF funding. To the extent bond proceeds are the requested funding source for these items, they may become enforceable pursuant to HSC section 34191.4 (c) and after receiving a Finding of Completion from Finance. Until then, they are not enforceable obligations and not authorized for payment.

- Administrative costs funded by RPTTF exceed the allowance by \$233,745. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$1,383,989. The Los Angeles Auditor Controller distributed \$974,156 in administrative costs for July through December 2012 period, thus leaving \$409,833 available for the January through June 2013 period. Although \$425,632 is claimed for administrative costs, Item No. 1, 21, 69, 70, 74, and 81 totaling \$207,946 are administrative expenses and should be counted toward the cap. Therefore, \$223,745 excess administrative cost is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$14,070,947 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 14,187,744
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 1	7,200 *
Item 2	58,362
Item 8	260,322
Item 21	10,000 *
Item 69	6,000 *
Item 70	4,500 *
Item 74	174,996 *
Item 81	5,250 *
Total approved RPTTF for enforceable obligations	\$ 13,661,114
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	409,833
<b>Total RPTTF approved:</b>	<b>\$ 14,070,947</b>

\*Amount reclassified to administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 32,471,860
Total RPTTF for the period January through June 2013	13,661,114
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 46,132,974</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	1,383,989
Administrative allowance for the period of July through December 2012	974,156
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 409,833</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Mr. Dale Hutchinson  
October 14, 2012  
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Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



**STEVE SZALAY**  
Local Government Consultant

cc: Mr. Robert M. Zur Schmiede, Deputy Director, City of Long Beach as Successor Agency  
to the Redevelopment Agency of the City of Long Beach  
Ms. Ashley Atkinson, Analyst, Long Beach Development Services  
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office