



REVISED

January 10, 2013

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

Dear Mr. Hutchinson:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. 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 III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 26, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Items Nos. 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. Finance continues to deny the items for the reasons provided in our October 14, 2012 letter; 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 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 Long Beach (City) 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. The Agency requested clarification on Finance's determination. It is Finance's position that obligations of the Housing Successor should not be listed on the ROPS as these items are not payable from the Redevelopment Property Tax Trust Fund (RPTTF). Any future obligations for these items are the responsibility of the housing successor.
- Item No. 8 in the amount of \$8.3 million is a contract between the City and the RDA. Finance continues to deny this item for the reason previously provided; HSC section

34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is not an enforceable obligation or eligible for RPTTF funding.

- Items Nos. 39 and 47 and totaling \$1.15 million. Finance continues to deny the items. Finance denied the items as HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these items have not yet been awarded. Therefore, these line items are not enforceable obligations. The Agency requested clarification on Finance's determination. It is Finance's position that obligations of the Housing Successor should not be listed on the ROPS as these items are not payable from RPTTF. Any future obligations for these items are the responsibility of the housing successor.
- Items Nos. 94 and 111 – Belwood Apartments and Ramona Park Apartments, respectively, totaling \$18.3 million. Finance denied the items per HSC section 34163(b). This provision prohibits a RDA from entering into a contract with any entity after June 27, 2011. The Agency contends that they have followed the requirements outlined in HSC section 34176 (g) (1) (A), which allows the housing entity assuming the housing functions of the former RDA to use indebtedness obligation proceeds that remain after the satisfaction of enforceable obligations approved in a ROPS and that are consistent with the indebtedness obligation covenants. HSC section 34176 (g) (1) (A) also requires that the proceeds requested for use shall be derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund. The new housing entity notified the Agency of designations and commitments of the 2005 housing bond proceeds and requested the item be listed on the ROPS III. The following required conditions are met; therefore, the items are considered enforceable obligations:
 - The new housing entity's bond counsel provided a written opinion that the use of the bond proceeds is consistent with the bond covenants. Based on the bond counsel opinion, it appears that the use of bond proceeds is consistent with the bond covenants.
 - The Agency's financial records indicate that there are sufficient funds available.
- Administrative costs funded by RPTTF exceed the allowance by \$233,745. Items 1, 21, 69, 70, 74, and 81 totaling \$207,946 are administrative expenses and should be counted toward the cap. The Agency contends these are project specific costs; however, these items do not qualify under the exclusions from the administrative cost cap as outlined in HSC section 34171 (b). This provision also 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 the 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, the reclassification of Items 1, 21, 69, 70, 74, and 81 totaling \$207,946 creates an excess of \$223,745 in administrative costs and is not allowed.

In addition, per Finance's ROPS letter dated October 14, 2012, the following items continue to be denied and were not contested by the Agency:

- Items Nos. 61, 88, 91, and 104, and totaling \$21.33 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.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$14,070,947 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 14,187,744
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No.1*	7,200
Item No. 2	58,362
Item No. 8	260,322
Item No. 21*	10,000
Item No. 69*	6,000
Item No. 70*	4,500
Item No. 74*	174,996
Item No. 81*	5,250
Total approved RPTTF for enforceable obligations	\$ 13,661,114
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	409,833
Total RPTTF approved:	\$ 14,070,947

*Amount reclassified to administrative cost.

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 32,471,860
Total RPTTF for the period January through June 2013	13,661,114
Total RPTTF for fiscal year 2012-13:	\$ 46,132,974
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
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 409,833

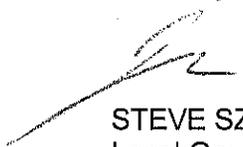
Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account 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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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
California State Controller's Office