



December 18, 2012

Ms. Marissa Christiansen, Assistant to the City Manager
City of Redondo Beach
415 Diamond Street
Redondo Beach, CA 90277

Dear Ms. Christiansen:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 10, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Redondo Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 10, 2012. Subsequently, the Agency requested a Meet and Confer session on one of the items denied by Finance. The Meet and Confer session was held on November 19, 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 item being disputed.

Item No. 3 – 1990 cooperative agreement by and between the City of Redondo Beach and the former Redevelopment Agency (RDA) in the amount of \$7.9 million. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the RDA are not enforceable. The Agency contends the item is an enforceable obligation because the State Agreement and associated Cooperation Agreement create an interagency agreement between the State Lands Commission, the former RDA, and the City for payment of tax increments from the former RDA. However, the Cooperation Agreement is between the City and RDA. Per HSC section 34171 (d) (2), loan agreements entered into between the RDA and the city, county, or city and county that created it, within two years of the date of creation of the RDA, or solely for the purpose of securing or repaying indebtedness obligations may be deemed to be enforceable obligations. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. 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 currently not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's ROPS letter dated October 10, 2012, the following approval was provided:

On September 12, 2012, Finance lead analyst Michael Barr communicated via e-mail our approval of the Redondo Beach Oversight Board resolution OB-1208-008, approving a credit agreement with Bank of America to refinance the outstanding credit agreement with Bank of the West. This letter also serves as an approval of this oversight board action. To the extent you have or plan to exercise your authority to enter into the Bank of America credit agreement, Finance authorizes an amendment to Item No. 1 pursuant to HSC section 34179 (h) in order to reflect the change in payee and reduced funding amount. Since the ROPS III submitted still reflects an obligation to Bank of the West, Finance is most likely approving an amount higher than will be needed should the agreement with Bank of America materialize. It is expected that future RPTTF distributions will be adjusted to reflect differences between actual payments and estimated obligations pursuant to HSC section 34186 (a).

The Agency's maximum approved RPTTF distribution for the reporting period is: \$738,077 as summarized in the following table:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 8,491,603
Less: Six-month total for item(s) denied or reclassified as administrative cost Item No. 3	7,878,526
Total approved RPTTF for enforceable obligations	\$ 613,077
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
Total RPTTF approved:	\$ 738,077

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.

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Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Szalay", with a long, sweeping underline that extends to the left.

Steve Szalay
Local Government Consultant

cc: Mr. Doug Kaku, Grants Financial Administrator, City of Redondo Beach
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office