



October 12, 2012

Ms. Victoria Beatley, Finance Director  
City of Seal Beach  
211 8<sup>th</sup> Street  
Seal Beach, CA 90740

Dear Ms. Beatley:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), City of Seal Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29, 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. 7 – Mobile Home Park Revenue Bonds (Seal Beach Mobile Home Park Project) in the amount of \$1.4 million funded by Redevelopment Property Tax Trust Fund (RPTTF). The Amended and Restated Loan and Grant Agreement dated August 31, 2005 indicates that the grant will be funded from the Low and Moderate Income Housing Fund (LMIHF). HSC section 34183 (a) (2) (B) states from February 1, 2012, the county auditor-controller shall allocate RPTTF to a successor agency for payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the agency's tax increment revenues were also pledged for the repayment of the bonds. Therefore, this item is not considered an enforceable obligation and not eligible for RPTTF funding.
- Item No. 10 – City loan in the amount of \$1.3 million funded by RPTTF. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding.
- Administrative costs claimed exceed the allowance by \$36,769. HSC section 34171 (b) limits the fiscal year 2012- 13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$36,769 of the claimed \$286,769 is not an enforceable obligation. The following items were considered administrative expenses:

- o Item Nos. 8 and 9 – Richard Watson & Gershon Legal Services Contracts in the total amount of \$684,425.
- o Item No. 11 – Lance Soll & Lunghard Contract for audit services in the amount of \$9,600.
- o Item No. 13 – Civic Stone Compliance Review Contract in the amount of \$10,000.
- o Item No. 14 – Staff and Oversight Board Administrative Costs in the amount of \$2.8 million.

Except for items denied in whole or in part as EOs 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 \$402,666 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,013,058
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 7	180,000
Item 8*	90,000
Item 9*	30,000
Item 10	448,932
Item 11*	5,000
Item 13*	8,000
Item 14*	98,460
Total approved RPTTF for enforceable obligations	\$ 152,666
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	250,000
<b>Total RPTTF approved:</b>	<b>\$ 402,666</b>

\*Reclassified as Administrative Cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 665,838
Total RPTTF for the period January through June 2013	152,666
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 818,504</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	0
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 250,000</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

Ms. Victoria Beatley  
October 12, 2012  
Page 3

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:

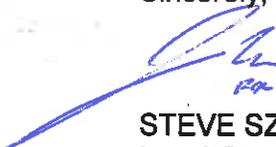
[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

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.

Please direct inquiries to Nichelle Thomas, Supervisor or Wendy Griffe, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Alayna Hoang, Finance Manager, City of Seal Beach  
Mr. Frank Davies, Property Tax Manager, Orange County