



December 18, 2012

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

Dear Ms. Beatley:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 12, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 12, 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 item being disputed.

- 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) or from any other monies available to the Agency. The Agreement is between the Agency and LINC Community Development Corporation. The Agency has requested \$180,000 to make the required payment for the upcoming period from RPTTF. It is also our understanding that the Agency has available LMIHF balances that could be used to make the payment. Instead of utilizing the available LMIHF balances, Finance is approving the use of RPTTF to make the required payment for the upcoming period and each period thereafter until the maturity date of the 2000A Bonds has been reached. Any LMIHF balances that were going to be used for this purpose are now unencumbered and should be remitted to the affected taxing entities pursuant to your Due Diligence Review.
- Item No. 10 – City loan in the amount of \$1.3 million funded by RPTTF. Finance continues to deny this Item at this time. 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. Upon receiving

a Finding of Completion from Finance, HSC section 34191.4 (b) may cause the Item to be enforceable in future ROPS periods.

In addition, per Finance's determination letter dated October 12, 2012, the following adjustments were made and are not being disputed by the Agency:

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

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$582,666 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,013,058
Less: Six-month total for item(s) denied or reclassified as administrative cost	
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	<u>\$ 332,666</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>250,000</u>
Total RPTTF approved:	\$ 582,666

*Reclassified as Administrative Cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 665,838
Total RPTTF for the period January through June 2013	152,666
Total RPTTF for fiscal year 2012-13:	\$ 818,504
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
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 250,000

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: Ms. Alayna Hoang, Finance Manager, City of Seal Beach
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office