

Orange Countywide Oversight Board

Date: 9/26/2019

Agenda Item No. 10E

From: Successor Agency to the Huntington Beach Redevelopment Agency

Subject: Straw Vote of the Countywide Oversight Board Regarding Administrative Budget

Recommended Action:

Hold a straw vote regarding FY 2020-21 Administrative Budget for the Huntington Beach Successor Agency

The Huntington Beach Successor Agency requests a straw vote of the Administrative Budget for Fiscal Year 2020-21. The Successor Agency shall return in January with a request for final approval of the Administrative Budget with the Recognized Obligation Payment Schedule (ROPS).

Under ABX1 26 and AB 1484, the Huntington Beach Successor Agency has a fiduciary duty to the holders of enforceable obligations (such as bond holders and parties to existing enforceable contracts) to ensure that these obligations are met and the taxing entities that benefit from distribution of property tax to ensure that proper amounts are passed through. After February 1, 2012, tax increment formerly collected by Redevelopment Agencies is held by the County Controller for distribution to pay off enforceable obligations of the former Redevelopment Agencies and passed through to special taxing entities such as school districts and other special districts.

The Successor Agency staff and Board has specific duties relating to the management of former Redevelopment Agency assets required under California Health and Public Safe Code Sections 34180 and 34181. The minimum administrative allowance of \$250,000 distributed to the Huntington Beach Successor Agency each year is used to offset a portion of the administrative costs associated with the wind-down of the Successor Agency.

Staff submits the annual ROPS, Prior Period Adjustment form, and other related reports and documentation to the County and State Department of Finance as required. The Huntington Beach's Recognized Obligation Payment Schedule ("ROPS") currently has over 36 outstanding enforceable obligations totaling over \$126 million. These obligations include bonds, loans, property tax sharing agreements, among other items. The Successor Agency Administrative allowance is currently \$250,000, the minimum amount authorized per Health and Safety Code Section 34171(a)(2).

The current Successor Agency administrative budget includes personnel costs is \$219,000 and operating expenditures of \$31,000 for professional contract services. However, this amount does not represent the full cost of administering the "wind down" of the Successor Agency. The direct and indirect costs of our Agency Counsel, Successor Agency Board Members, Board Clerk, Executive Director, Chief Financial Officer, City Treasurer, and other staff is not included. Additionally, no other costs, such as insurance, office use, and supplies have been included in the \$250,000 administrative budget. Since the dissolution of the former Redevelopment Agency, staff have dedicated a significant number of hours managing and

providing information for the ROPS, Housing Asset Transfer review, Long-Range Property Management Plan, and other projects associated with the wind down of the Successor Agency. The cost of these activities far exceed the \$250,000 minimum annual administrative allowance provided to the Agency.

A brief summary of the job duties performed by 25 staff members associated with ROPS administration is included below:

- City Manager/Executive Director and the Assistant City Manager- General oversight of the entire dissolution process. Attends Successor Agency (SA), Oversight Board (OB) Meetings and Meet and Confer meetings as well as numerous staff meetings regarding the winding down of the Successor Agency.
- Executive Assistant to the City Manager - Direct assistant to the City Manager and Assistant City Manager in SA and OB related meetings, transaction processing (i.e. meet and confer related travel requests), document prep, scheduling meetings and entering payroll hours.
- City Council/Successor Agency Board Members (seven members) – Attendance at Successor Agency Meeting, reviewing of all related materials, signing necessary Resolutions and other documents.
- City Clerk/Board Clerk and Deputy City Clerk – Preparation, distribution and attendance of Successor Agency Meetings, certifying and filing all documents (ROPS, etc.), management of 700 Forms and processing all Successor Agency public records requests.
- City Treasurer and Finance Manager Treasury - Review daily cash in bank account on a daily basis and prepare report for review by Treasury Manager and Chief Financial Officer, Process/Review/Approve wire transfers, Monthly Treasurer's reporting, attendance at meetings.
- Chief Financial Officer and Assistant Chief Financial Officer – Review Annual ROPS, review and approve all bond payments and wire transfers, review and approve CAFR, annual budget, and attend Successor Agency meetings as required.
- Controller – Review and approve all journal entries for monthly close, review and approve monthly bank reconciliation, review payroll entries, review payroll entries in general ledger, create and maintain chart of accounts for Successor Agency, and review Successor Agency information in the annual CAFR.
- Assistant Controller – Review of the two bond statements and journal entries, analytical review of all monthly financial transactions, review and approve monthly bank reconciliation, update two bond spreadsheets, create and review Property Tax Sharing Agreements, prepare Successor Agency documents for annual audit; prepare wire transfers, prepare the annual ROPS, participate in Successor Agency meetings as required.
- Senior Accountants – Prepare and process journal entries for monthly close, preparation of monthly bank reconciliation.

- Deputy Director of Office of Business Development – Oversees all Successor Agency operations, from day to day questions to ROPS development. The Strand project is currently for sale and the Successor Agency will need to approve numerous assignments and submit the required documentation for Successor Agency, Oversight Board, and DOF approval.
- Economic Development Project Manager – Assists in the oversight and the winding down of Successor Agency actions, projects and agreements. Process and manage purchase orders and contracts.
- Real Estate Project Manager - Clear titles and other issues related to the former Redevelopment Project area. Assists with property tax sharing agreements.

Staff Contact(s)

Sunny Rief, Assistant Controller, sunny.rief@surfcity-hb.org

Kellee Fritzal, Deputy Director of Office of Business Development, kfritzal@surfcity-hb.org

Attachments

1. ROPS 20-21 Proposed Administrative Budget
2. ROPS 19-20 Administrative Budget and DOF Determination Letter
3. ROPS 18-19 Administrative Budget and DOF Determination Letter

Attachment 1

Successor Agency **Administrative Budget** **Department Budget Summary** **Other Funds by Object Account** **OTHER FUNDS**

Expenditure Object Account		ROPS 20-21 Budget
RORF Administration (350)		
PERSONAL SERVICES		
Salaries/Benefits - Permanent		219,000
PERSONAL SERVICES		219,000
OPERATING EXPENSES		
Other Professional Services/Operating		31,000
OPERATING EXPENSES		31,000
Total		250,000
Revenue Summary		ROPS 20-21 Budget
Administrative Allowance		250,000
Total		250,000

Significant Changes

Pursuant to AB x126 and AB 1484, the Successor Agency receives RPTTF funding from the County Auditor-Controller to pay Enforceable Obligations. The Successor Agency also receives a 3% of actual distributed RPTTF in the preceding fiscal year, or a minimum of \$250,000 for administration of the winding down of the former Redevelopment Agency per fiscal year. Administrative costs associated with the "wind down" and dissolution of the Redevelopment Agency that exceed the administrative cost allowance will be funded by Other Funds, pursuant to State rules. Administrative expenses include: personnel costs, legal, and other professional services expenses associated with the dissolution and administration of the Successor Agency.

Successor Agency
Administrative Budget
Department Budget Summary
Other Funds by Object Account

OTHER FUNDS

Expenditure Object Account		ROPS 19-20 Budget
RORF Administration (350)		
PERSONAL SERVICES		
Salaries/Benefits - Permanent		225,000
PERSONAL SERVICES		225,000
OPERATING EXPENSES		
Legal Services		
Other Professional Services/Operating		25,000
OPERATING EXPENSES		25,000
Total		250,000
Revenue Summary		ROPS 19-20 Budget
Administrative Allowance		250,000
Other Funds		-
Total		250,000

Significant Changes

Pursuant to AB x126 and AB 1484, the Successor Agency receives RPTTF funding from the County Auditor-Controller to pay Enforceable Obligations. The Successor Agency also receives a 3% of actual distributed RPTTF in the preceding fiscal year, or a minimum of \$250,000 for administration of the winding down of the former Redevelopment Agency per fiscal year. Administrative costs associated with the "wind down" and dissolution of the Redevelopment Agency that exceed the administrative cost allowance will be funded by Other Funds, pursuant to State rules. Administrative expenses include: personnel costs, legal, and other professional services expenses associated with the dissolution and administration of the Successor Agency.



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

GAVIN NEWSOM - GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

April 11, 2019

Ms. Lori Ann Farrell, Director of Finance
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

Dear Ms. Farrell:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Huntington Beach Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on February 1, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 105 and 106 – Unfunded Employee Pension and Retirement Obligations, outstanding obligation amounts totaling \$3,655,295, are not allowed. The Agency previously requested funding as Item Nos. 23, 24, and 26, and as Item Nos. 90 and 91; no funding is requested for these duplicated items on the current ROPS. Finance continues to deny these items. Finance originally denied these items as the agreement entered into on March 17, 2008 with respect to these obligations is between the California Public Employees' Retirement System (CalPERS) and the City Council of the City of Huntington Beach (City Council). The Agency did not provide any other documentation to support the items as enforceable during this period.

Absent a contract or agreement, the Agency's responsibility for payment of these obligations is not legally enforceable. Because the only agreement provided to Finance is between the City Council and CalPERS, the Agency's request for payment of these obligations is not allowed. Therefore, these items are not enforceable obligations and requested amounts of \$138,054 from Other Funds and \$233,712 from Redevelopment Property Tax Trust Fund (RPTTF) funding, totaling \$371,766, are not allowed as specified below:

Item No.	Project / Obligation Name	Total Outstanding	RPTTF Requested	Other Funds Requested
105	Unfunded Pension Liabilities	\$3,438,056	\$138,054	\$138,054
106	Unfunded Retirement Liabilities	217,239	95,658	0
Total		\$3,655,295	\$233,712	\$138,054

- Item Nos. 107 through 118 – Loan payments to the City of Huntington Beach (City), outstanding obligation amounts totaling \$71,556,290, are not allowed. Finance continues to deny these items. The Agency previously requested funding for these as Item Nos. 32, 41 through 44, 46 through 49, 79 through 89, and 93 through 104; no funding is requested for these duplicate items on the current ROPS. Finance previously denied these items for the following reasons:
 - Oversight Board (OB) Resolution Nos. 2017-03 through 2017-14, inclusive, finding loans made by the City to the former Redevelopment Agency (RDA) in the amounts of \$55,395,638 as enforceable obligations and finding the loans were for legitimate redevelopment purposes, were denied in our determination letter dated March 10, 2017.
 - The Agency was unable to provide documentation supporting these items as loans pursuant to HSC section 34191.4 (b). Specifically, the Agency was unable to support the outstanding principal balance of the loans and it was not clear whether the loans were monetary loans or a transfer of interest in real property.
 - The Agency was unable to substantiate the periodic amounts loaned by the City as well as the amounts periodically repaid by the Agency to the City.
 - OB Resolution Nos. 2017-15 through 2017-26, finding that loans made by the City to the former RDA were for legitimate redevelopment purposes and approving the loans as enforceable obligations and the schedule for repayment of said loans, in accordance with HSC section 34191.4 (b), were denied in our determination letter dated May 17, 2017.

The Agency did not provide any new documentation during ROPS 19-20. Therefore, these items are not enforceable obligations and the requested amounts totaling \$7,646,815 are not allowed as specified below:

Item No.	Project Name/ Debt Obligation	RPTTF Amount Requested
107	Land Sale Emerald Cove	\$ 606,608
108	Emerald Cove 2010 Series A Lease Revenue Refunding Bonds	390,038
109	Huntington Center Redevelopment Plan Development	200,948
110	Main-Pier Redevelopment Project Phase II	241,080
111	Development of Downtown Main-Pier Project Area	179,426
112	Third Block West Commercial/Residential Project	1,025,834
113	Second Block Alley and Street Improvement Project	16,932
114	Strand Project	6,268
115	Pierside Hotel/Retail/Parking Structure Project	27,320
116	Waterfront Commercial Master Site Plan	4,082,201
117	Strand Project	839,896
118	Operative Agreement for the Huntington Beach Redevelopment Project	30,264
Total		\$7,646,815

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$853,460 from Reserve Balances available to fund enforceable obligations on the ROPS 19-20, and an additional \$138,054 from Other Funds now available from Item No. 105, totaling \$991,514. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 3 – 2002 Tax Allocation Refunding Bonds, debt service payment in the amount of \$1,615,000 has been partially reclassified. This item does not require payment from property tax revenues. Therefore, Finance is approving RPTTF in the amount of \$623,486, the use of Reserve Balances in the amount of \$853,460, and the use of Other Funds in the amount of \$138,054, totaling \$1,615,000.
- Finance notes the Agency has listed several item numbers several times on the ROPS. Pursuant to HSC section 34177 (m) (1), the Agency is required to complete the ROPS in a manner provided by Finance. ROPS Instructions state that Agencies must maintain the existing line item numbers and should only create a new line item for a new obligation that was not on a prior ROPS. Future ROPS not completed in a manner provided by Finance may be rejected in its entirety and returned to the OB for reconsideration. The Agency should make an effort to identify and retire all duplicated line items from the ROPS.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 5 includes the prior period adjustment resulting from the County Auditor-Controller's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items that are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

[http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/](http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$6,543,050 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:


<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Ms. Kellee Fritzal, Deputy Director of Economic Development, City of Huntington Beach
Mr. Israel M. Guevara, Administrative Manager, Property Tax Section, Orange County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 7,335,920	\$ 7,853,182	\$ 15,189,102
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	7,460,920	7,978,182	15,439,102
RPTTF Requested	7,335,920	7,853,182	15,189,102
<u>Adjustments</u>			
Item No. 3	(991,514)	0	(991,514)
Item No. 105	0	(138,054)	(138,054)
Item No. 106	(47,829)	(47,829)	(95,658)
Item No. 107	(303,304)	(303,304)	(606,608)
Item No. 108	(195,019)	(195,019)	(390,038)
Item No. 109	(100,474)	(100,474)	(200,948)
Item No. 110	(120,540)	(120,540)	(241,080)
Item No. 111	(89,713)	(89,713)	(179,426)
Item No. 112	(512,917)	(512,917)	(1,025,834)
Item No. 113	(8,466)	(8,466)	(16,932)
Item No. 114	(3,134)	(3,134)	(6,268)
Item No. 115	(13,660)	(13,660)	(27,320)
Item No. 116	(2,041,100)	(2,041,101)	(4,082,201)
Item No. 117	(419,948)	(419,948)	(839,896)
Item No. 118	(15,132)	(15,132)	(30,264)
	(4,862,750)	(4,009,291)	(8,872,041)
RPTTF Authorized	2,473,170	3,843,891	6,317,061
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Authorized for Obligations	2,598,170	3,968,891	6,567,061
Prior Period Adjustment	(24,011)	0	(24,011)
Total RPTTF Approved for Distribution	\$ 2,574,159	\$ 3,968,891	\$ 6,543,050

Attachment 3

Successor Agency Administrative Budget Department Budget Summary Other Funds by Object Account

OTHER FUNDS

Expenditure Object Account		ROPS 18-19 Budget
RORF Administration (350)		
PERSONAL SERVICES		
Salaries/Benefits - Permanent		250,000
PERSONAL SERVICES		250,000
OPERATING EXPENSES		
Legal Services		-
Other Professional Services/Operating		-
OPERATING EXPENSES		-
Total		250,000
Revenue Summary		ROPS 18-19 Budget
Administrative Allowance		250,000
Other Funds		-
Total		250,000

Significant Changes

Pursuant to AB x126 and AB 1484, the Successor Agency receives RPTTF funding from the County Auditor-Controller to pay Enforceable Obligations. The Successor Agency also receives a 3% of actual distributed RPTTF in the preceding fiscal year, or a minimum of \$250,000 for administration of the winding down of the former Redevelopment Agency per fiscal year. Administrative costs associated with the "wind down" and dissolution of the Redevelopment Agency that exceed the administrative cost allowance will be funded by Other Funds, pursuant to State rules. Administrative expenses include: personnel costs, legal, and other professional services expenses associated with the dissolution and administration of the Successor Agency.



April 13, 2018

Ms. Lori Ann Farrell, Director of Finance
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

Dear Ms. Farrell:

Subject: 2018-19 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Huntington Beach Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19) to the California Department of Finance (Finance) on January 31, 2018. Finance has completed its review of the ROPS 18-19.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 21 – Abdelmudi Owner Participation Agreement (OPA)/Rent Differential Agreement, requested amount of \$10,000, is not allowed. It is our understanding the existing OPA expired on December 31, 2017 and the Agency is requesting funding for any 'catch up' payments that may occur. Currently, there is no amount due and allocating funds for unknown contingencies is not an allowable use of funds. To the extent the Agency can provide supporting documentation, such as a final invoice, to support the requested amount, this item may be eligible for funding on a future ROPS. Therefore, the requested amount of \$10,000 from Redevelopment Property Tax Trust Fund (RPTTF) is not allowed.
- Item No. 27 – Obligation for Unused Employee General Leave (Earned and Vested) in the total outstanding obligation amount of \$82,249 is not allowed. It is our understanding the Memoranda of Understanding entered into with respect to these obligations are between the Management Employees' Organization, Municipal Employees' Organization, and the City of Huntington Beach (City); the former Redevelopment Agency (RDA) is not a party to the contract. Therefore, these items are not enforceable obligations and the requested amount of \$22,426 in RPTTF is not allowed.
- Item Nos. 51 and 52 – Property Maintenance Fencing and Weed Control, outstanding obligation amounts totaling \$7,500, is not allowed. It is our understanding the Agency no longer owns the properties subject to these maintenance agreements. Therefore, the requested amount of \$7,500 (\$3,500 + \$4,000) from Other Funds is not allowed.

- Item Nos. 90 through 92 – Unfunded Employee Pension, Retirement, and Other Post-Employment Benefit Obligations in the total outstanding obligation amount of \$4,354,360. The Agency previously requested funding for these as Item Nos. 23, 24, and 26 and, as requested, Item Nos. 23, 24, and 26 have been retired. Finance continues to deny these items. Finance originally denied these items as the agreement entered into on March 17, 2008 with respect to these obligations is between the California Public Employees' Retirement System (CalPERS) and the City Council of the City of Huntington Beach (City Council). The Agency did not provide any other documentation to support the items as enforceable during this period.

Absent a contract or agreement, the Agency's responsibility for payment of these obligations is not legally enforceable. Because the only agreement provided to Finance is between the City Council and CalPERS, the Agency's obligation for payment of these obligations is not allowed. Therefore, these items are not enforceable obligations and requested amounts totaling \$468,214 (\$238,710 + \$143,696 + \$82,808) from RPTTF are not allowed.

- Item Nos. 93 through 104 – Loan payments to the City totaling \$71,556,290. Finance continues to deny these items. The Agency previously requested funding for these as Item Nos. 32 and 79 through 89, and, as requested, Item No. 32 has been retired. The remaining lines, Item Nos. 79 through 89, have been retired as well. Finance previously denied these items for the following reasons:
 - Oversight Board (OB) Resolution Nos. 2017-03 through 2017-14, inclusive, finding loans made by the City to the former RDA in the amounts of \$55,395,638 as enforceable obligations and finding the loans were for legitimate redevelopment purposes, were denied in our determination letter dated March 10, 2017.
 - The Agency was unable to provide documentation supporting these items as loans pursuant to HSC section 34191.4 (b). Specifically, the Agency was unable to support the outstanding principal balance of the loans and it was not clear whether the loans were monetary loans or a transfer of interest in real property.
 - The Agency was unable to substantiate the periodic amounts loaned by the City as well as the amounts periodically repaid by the Agency to the City.
 - OB Resolution Nos. 2017-15 through 2017-26, finding that loans made by the City to the former RDA were for legitimate redevelopment purposes and approving the loans as enforceable obligations and the schedule for repayment of said loans, in accordance with HSC section 34191.4 (b), were denied in our determination letter dated May 17, 2017.

The Agency did not provide any other documentation during ROPS 18-19. Therefore, these items are not enforceable obligations and the requested amount totaling \$5,523,266 is ineligible for RPTTF funding as specified below:

Item No.	Project Name/ Debt Obligation	Amount
93	Land Sale Emerald Cove	\$ 20,000
94	Emerald Cove 2010 Series A Lease Revenue Refunding Bonds	20,000
95	Huntington Center Redevelopment Plan Development	20,000
96	Main-Pier Redevelopment Project Phase II	367,095
97	Development of Downtown Main-Pier Project Area	261,379
98	Third Block West Commercial/Residential Project	1,251,426
99	Second Block Alley and Street Improvement Project	24,604
100	Strand Project	7,314
101	Pierside Hotel/Retail/Parking Structure Project	31,507
102	Waterfront Commercial Master Site Plan	2,414,659
103	Strand Project	1,085,282
104	Operative Agreement for the Huntington Beach Redevelopment Project	20,000
Total		\$5,523,266

- On the ROPS 18-19 form, the Agency reported cash balances and activity for the period July 1, 2015 through June 30, 2016 (ROPS 15-16). According to our review, the Agency has approximately \$23,741 from RPTTF unexpended from the ROPS 15-16 period available to fund enforceable obligations on the ROPS 18-19. These unexpended funds are considered Reserve Balances. Additionally, the Agency has \$7,500 in Other Funds from Item Nos. 51 and 52, making a total of \$31,241 (\$23,741 + \$7,500) available. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amounts specified below:
 - Item No. 2 – Hyatt Regency Huntington Beach Project Disposition and Development Agreement in the requested amount of \$720,458 from RPTTF is partially reclassified. This item does not require payment from RPTTF. Therefore, Finance is approving RPTTF in the amount of \$689,217, Reserve Balances in the amount of \$23,741, and Other Funds in the amount of \$7,500, for a total of \$720,458.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 18-19. If the Agency disagrees with our determination with respect to any items on the ROPS 18-19, except items which are the subject of litigation disputing our previous or related determinations, the Agency 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 on our website:

http://dof.ca.gov/Programs/Redevelopment/Meet_And_Confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,316,519 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2018 through December 31, 2018 period (ROPS A period) and one distribution for the January 1, 2019 through June 30, 2019 period (ROPS B period) based on Finance's approved amounts. Since this determination is for the entire ROPS 18-19 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Pursuant to HSC section 34186 (c), beginning October 1, 2018, the Agency will be required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2016 through June 30, 2017 period (ROPS 16-17) to the Orange County Auditor-Controller for review. The Agency will report actual payments for ROPS 16-17 on ROPS 19-20. A prior period adjustment may be applied to the Agency's ROPS 19-20 RPTTF distribution. Therefore, the Agency should retain any unexpended RPTTF from the ROPS 16-17 period.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 18-19. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be deemed denied until the matter is resolved.

The ROPS 18-19 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 18-19 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,

A handwritten signature in blue ink, appearing to read "Erika Li", is written over a circular blue stamp.

ERIKA LI
Program Budget Manager

cc: Ms. Kellee Fritzal, Deputy Director of Economic Development, City of Huntington Beach
Ms. Cindy Wong, Manager, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2018 through June 2019			
	ROPS A Period	ROPS B Period	ROPS 18-19 Total
RPTTF Requested	\$ 6,239,938	\$ 8,881,728	\$ 15,121,666
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	6,364,938	9,006,728	15,371,666
RPTTF Requested	6,239,938	8,881,728	15,121,666
<u>Adjustments</u>			
Item No. 2	(27,491)	(3,750)	(31,241)
Item No. 21	0	(10,000)	(10,000)
Item No. 27	(11,213)	(11,213)	(22,426)
Item No. 90	(119,355)	(119,355)	(238,710)
Item No. 91	(71,848)	(71,848)	(143,696)
Item No. 92	(42,904)	(42,904)	(85,808)
Item No. 93	(10,000)	(10,000)	(20,000)
Item No. 94	(10,000)	(10,000)	(20,000)
Item No. 95	(10,000)	(10,000)	(20,000)
Item No. 96	(121,291)	(245,804)	(367,095)
Item No. 97	(86,362)	(175,017)	(261,379)
Item No. 98	(413,482)	(837,944)	(1,251,426)
Item No. 99	(8,129)	(16,475)	(24,604)
Item No. 100	(2,417)	(4,897)	(7,314)
Item No. 101	(10,410)	(21,097)	(31,507)
Item No. 102	(1,207,329)	(1,207,330)	(2,414,659)
Item No. 103	(358,587)	(726,695)	(1,085,282)
Item No. 104	(10,000)	(10,000)	(20,000)
	(2,520,818)	(3,534,329)	(6,055,147)
RPTTF Authorized	3,719,120	5,347,399	9,066,519
Administrative RPTTF Authorized	125,000	125,000	250,000
Total RPTTF Approved for Distribution	\$ 3,844,120	\$ 5,472,399	\$ 9,316,519