

December 17, 2013

Mr. Joe Perez, Community Development Director
City of Bell
6330 Pine Avenue
Bell, CA 90201

Dear Mr. Perez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bell Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 7, 2013. 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 15, 2013.

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.

- Item No. 5 – Litigation expenses totaling \$105,107. Finance no longer denies Item 5; however the amount is only approved for \$20,000 during the ROPS 13-14B period. During the meet and confer, Finance requested documentation to support the estimate included on the ROPS 13-14B. The Agency provided a letter from legal counsel estimating the amounts needed to finalize agreement terms during ROPS 13-14B is \$20,000, not \$75,000 as originally submitted on the ROPS. Therefore, the Agency will be permitted to receive \$20,000 in Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS. The remaining \$55,000 (\$75,000 - \$20,000) continues to be denied.
- Item No. 15 – Litigation expenses totaling \$138,960. Finance continues to deny this item at this time. During the meet and confer, Finance requested documentation to support the estimate included on the ROPS 13-14B. The Agency provided a letter from legal counsel estimating the amounts that may be needed if litigation is pursued. However, at this time, there is no indication that litigation will commence during the ROPS 13-14B period. Therefore, the Agency will not be permitted RPTTF funding for this item on this ROPS.

- Item No. 17 – City of Bell (City) Pension Override in the amount of \$19,000,000. Finance continues to deny this item. Our review indicates that the Bell Public Financing Authority (Authority) issued 2005 Taxable Pension Revenue Bonds in order to provide a loan to the City to fund their unfunded safety employee pension liability. The bond debt service payments are payable solely from loan payments from the City to the Authority and is not an obligation of the Agency. Although additional documentation related to the bond issuance was requested to determine the Agency's actual obligation, if any, the Agency was unable to provide any additional documentation to support the enforceable obligation requiring the payment. Finance notes that if the Agency can produce the necessary documentation they should place the item on a future ROPS for our review. However, at this time, this item is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

In addition, per Finance's letter dated November 7, 2013, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 13 – LAUSD 2003 Settlement Agreement in the amount of \$1,103,533. The Agency requested \$150,000 for the period; however, according to the payment schedule provided by the Agency, only \$113,222 is required for the principal and interest payment during ROPS 13-14B. Therefore, the excess \$36,778 (\$150,000 - \$113,222) is not an enforceable obligation and not eligible for RPTTF funding.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$877,628 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	2,321,631
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 2,446,631
Total RPTTF requested for non-administrative obligations	2,321,631
<u>Denied Items</u>	
Item No. 5	(55,000)
Item No. 13	(36,778)
Item No. 15	(75,000)
Item No. 17	(1,255,127)
	<u>(1,421,905)</u>
Total RPTTF approved for non-administrative obligations	899,726
Total RPTTF requested for administrative obligations	125,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	110,000
Total RPTTF approved for obligations	1,009,726
ROPS III prior period adjustment	(132,098)
Total RPTTF approved for distribution	\$ 877,628
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,658,313
Total RPTTF for 13-14B (January through June 2014)	899,726
Less approved unfunded obligations from prior periods	-
Total RPTTF for fiscal year 2013-14	2,558,039
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	140,000
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	110,000

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where

funding was requested for the six month period. 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Josh Betta, Finance Director, City of Bell
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office