



May 16, 2014

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 April 17, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bell Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 17, 2014. 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 May 7, 2014.

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. 17 – City of Bell (City) Pension Override in the amount of \$19,198,245. Finance continues to deny this item. Per the Agency, in 2005, the City entered into a loan agreement with the Bell Public Financing Authority (Authority); the Authority was created by a joint exercise of joint powers agreement between the City and the former Bell Redevelopment Agency. The Authority issued 2005 Taxable Pension Revenue Bonds in order to provide a loan to the City to fund its unfunded safety employee pension liability. The bond documents provide that the bonds are secured solely from loan payments to be made by the City from pledged tax revenues. These pledged revenues constitute a first lien on the retirement tax which is later defined as an annual ad valorem tax on non-exempt properties in the City.

During the meet and confer, the Agency contended that this item is an enforceable obligation under state law and that retirement tax is legally pledged to pay off the City's Pension Override Bonds. However, documentation provided by the Agency does not establish this item as an enforceable obligation of the Agency as defined in HSC section 34171 (d) (1) (C) or that any other enforceable obligation exists that requires the payment of these revenues to the City on the ROPS. Therefore, this item is denied as an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item No. 18 – Housing Administrative costs allowance pursuant to AB 471 in the amount of \$75,000. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing entity to the former RDA of the City is the City-formed Housing Authority (Authority), and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of “city” includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines “city” for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is controlled by the City because the City was involved in the formation of the Authority and they share common governing boards, which are factors to be considered when determining if an entity is controlled by the city pursuant to HSC section 34167.10 (b).

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that “the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts.” Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$75,000 of housing entity administrative allowance.

In addition, per Finance’s letter dated April 17, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 5 – Contract for legal services in the amount of \$58,054 is partially denied. Per the Aleshire & Wynder firm the estimated legal cost for the ROPS 14-15A period is approximately \$10,000. Therefore, the excess of \$48,054 is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 14 – Property management plan expense in the amount of \$36,491 is partially denied. The Contract Services Agreement for the Property Management Plan submitted states the compensation for this agreement shall not exceed the maximum contract amount of \$30,000. Therefore, the excess of \$6,491 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 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,172,442 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	4,053,119
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 4,178,119
Total RPTTF requested for non-administrative obligations	4,053,119
<u>Denied Items</u>	
Item No. 5	(48,054)
Item No. 14	(6,491)
Item No. 17	(1,772,622)
Item No. 18	(75,000)
	(1,902,167)
Total RPTTF authorized for non-administrative obligations	\$ 2,150,952
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,275,952
ROPS 13-14A prior period adjustment	(103,510)
Total RPTTF approved for distribution	\$ 2,172,442

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. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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, Department of Auditor-Controller, Los Angeles County
California State Controller's Office