



November 17, 2014

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

Dear Mr. Perez:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bell Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on October 7, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

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

- Item No. 2 – Continuing Disclosure Costs in the amount of \$25,000 is denied. The Agency requested and received \$20,000 during ROPS 14-15A period; however, supporting documents illustrate the cost for the Agency's disclosure is only \$1,500 for the fiscal year and the remaining costs are for the City of Bell (City) issued debt. Therefore, the \$25,000 requested for the ROPS 14-15B period is not supported and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item No. 14 – Property management plan and property disposition costs in the amount of \$60,000 is denied. The Contract Services Agreement provided states that total compensation shall not exceed the maximum contract amount of \$30,000. The Agency received \$30,000 for this item during ROPS 14-15A period; therefore, no further funding is needed this period. Further, the Agency submitted an estimate of property disposition costs to dispose of Agency properties ranging from \$14,868 to \$20,653. However, the Agency has yet to submit their Long Range Property Management Plan to Finance. Therefore, this item is not eligible for RPTTF funding on this ROPS.
- Item No. 17 – City Pension Override in the amount of \$19,000,000. 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 (RDA). 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.

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 RPTTF funding.

- Item No. 18 – Housing Administrative costs allowance in the amount of \$600,000 is denied. 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 successor 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 pursuant to HSC section 34167.10. Therefore, \$600,000 of housing successor administrative allowance is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to review 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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:

The Agency's maximum approved RPTTF distribution for the reporting period is \$942,577 as summarized in the Approved RPTTF Distribution Table on the next page:

<b>Approved RPTTF Distribution For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	3,146,970
Total RPTTF requested for administrative obligations	200,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 3,346,970</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,146,970</b>
<u>Denied Items</u>	
Item No. 2	(25,000)
Item No. 14	(60,000)
Item No. 17	(2,200,115)
	(2,285,115)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 861,855</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>200,000</b>
<u>Denied Item</u>	
Item No. 18	(75,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 986,855</b>
ROPS 13-14B prior period adjustment	(44,278)
<b>Total RPTTF approved for distribution</b>	<b>\$ 942,577</b>

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 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The beginning balances for Bond Proceeds, Other Funds, and RPTTF could not be supported by the Agency's financial records. As a result, Finance will continue to work with the Agency after the ROPS 14-15B 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 15-16A.

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

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Cindie Lor, Supervisor or Hugo Lopez, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
Acting 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