

December 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 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 14-15B) to Finance on October 7, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 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 December 5, 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 items being disputed.

- Item No. 2 – Continuing Disclosure Costs in the amount of \$25,000. Finance continues to deny \$23,400 of this item and approves \$1,600. During the meet and confer, the Agency concurred with Finance's previous determination that the Agency's annual cost for continuing disclosure is \$1,500 and requested an additional \$100 for material event reporting. Our review indicates that the Agency requested and received \$20,000 during ROPS 14-15A period because the former City of Bell Redevelopment Agency had not provided continuing disclosure reports since 2011 as required; therefore, the funds provided in ROPS 14-15A were for the preparation of those past reports. The amount allowed for ROPS 14-15B is for the current continuing disclosure report. Therefore, the Agency will be permitted to receive and expend \$1,600 in ROPS 14-15B. We note that documentation provided by the Agency for this review indicates that the amount approved for ROPS 14-15A may have included costs to prepare the continuing disclosure reports for bonds issued by the City of Bell and the Bell Public Financing Authority. In the future, the Agency should only request and expend funding for obligations of the Agency.
- Item No. 14 – Property management plan and property disposition costs in the amount of \$60,000. Finance continues to deny this item at this time. The Contract Services Agreement previously provided by the Agency 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. The Agency claims that these costs will not be fully expended during ROPS 14-15A. In addition, the Agency claims these amounts are needed because the Agency is actively marketing properties it will include on the Long Range Property Management Plan (LRPMP). However, as stated in our previous letter, the Agency has not submitted the LRPMP and the disposition of those properties has not yet been determined. Therefore, this item is not eligible for RPTTF funding on this ROPS. To the extent the LRPMP is submitted to Finance for review and approval, the Agency may be eligible to receive costs related to marketing the properties on a future 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.

In addition, per Finance's letter dated November 10, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$944,177 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	(23,400)
Item No. 14	(60,000)
Item No. 17	(2,200,115)
	(2,283,515)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 863,455</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>\$ 988,455</b>
ROPS 13-14B prior period adjustment	(44,278)
<b>Total RPTTF approved for distribution</b>	<b>\$ 944,177</b>

Please refer to the ROPS 14-15B 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 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 Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, 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