DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 8, 2015

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 15-16A) to the California Department of Finance (Finance) on March 2, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 8 – Low and Moderate Income Housing Fund (LMIHF) loan repayment for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) in the amount of $98,010 is not allowed. HSC section 34191.4 (b) (2) (A) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

  According to the County Auditor-Controller's report, the amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $1,531,364 and $838,749, respectively. Therefore, pursuant to the repayment formula, the maximum repayment amount authorized for 2015-16 is $0. Therefore, the entire amount of $98,010 requested for LMIHF loan repayment is not allowed.

  In addition, review of ROPS 15-16A included the following Agency's Oversight Board (OB) Resolutions : 1) No. 2015-01, authorizing the Agency to enter into a loan agreement with the City of Bell, and 2) Resolution No. 2015-04, approving a repayment schedule for the SERAF loans. Finance approves the loan agreement with the City of Bell and the repayment of the SERAF loans listed as Item Nos. 22 and 8, respectively, on ROPS 15-16A. However, the six-month funding request for Item No. 8 is denied for the reason stated above.

- Item No. 17 – 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 (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 Redevelopment Property Tax Trust Fund (RPTTF) funding.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 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 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 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is $2,169,328 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		5,130,718
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations on ROPS	**$**	**5,255,718**
Total RPTTF requested for non-administrative obligations		**5,130,718**
Denied Items		
Item No. 8		(98,010)
Item No. 17		(2,682,991)
		(2,781,001)
Total RPTTF authorized for non-administrative obligations	**$**	**2,349,717**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**2,474,717**
ROPS 14-15A prior period adjustment		(305,389)
Total RPTTF approved for distribution	**$**	**2,169,328**

Please refer to the ROPS 15-16A 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 July 1 through December 31, 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 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 Kylie Oltmann, Supervisor or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
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