



November 13, 2015

Mr. Clifford Graves, Community Development Director
City of Bell
6330 Pine Avenue
Bell, CA 90201

Dear Mr. Graves:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Bell Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on October 1, 2015. Finance has completed its review of the ROPS 15-16B.

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

- 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 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.

- Item No. 18 – Housing Administrative costs allowance pursuant to AB 471 in the amount of \$150,000. This item was previously denied in ROPS 14-15A Meet and Confer, and Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency

elected to not assume the housing functions. Because the housing successor to the former redevelopment agency of the City of Bell (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, \$150,000 of housing successor administrative allowance requested for ROPS 15-16B and total outstanding amount of \$150,000 is not allowed.

- Item No. 24 – Contract for Legal Services in the amount of \$20,000 is not an enforceable obligation. No documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as the executed contract, vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

In addition, Finance noted on the Agency's ROPS 14-15B prior period adjustment worksheet, the Agency's expenditures exceeded Finance's authorization in Other Funding totaling \$106,530 for Item No. 1. Per HSC section 34177 (a) (3), only those payments listed on a ROPS may be made by the Agency from the funds specified on the ROPS up to the amount authorized by Finance. HSC sections 34177 (a) (4) and 34173 (h) (1) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your oversight board and Finance prior to making payments on enforceable obligations.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$871,618 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	4,233,468
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 4,358,468
Total RPTTF requested for non-administrative obligations	4,233,468
<u>Denied Items</u>	
Item No. 17	(3,165,867)
Item No. 18	(150,000)
Item No. 24	(20,000)
	(3,335,867)
Total RPTTF authorized for non-administrative obligations	\$ 897,601
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 1,022,601
ROPS 14-15B prior period adjustment	(150,983)
Total RPTTF approved for distribution	\$ 871,618

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Jane Carlson, Consultant, City of Bell
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County