



REVISED

October 20, 2012

Mr. Will Kaholokula, Director of Finance
City of Bell Gardens
7100 S. Garfield Avenue
Bell Gardens, CA 90201

Dear Mr. Kaholokula:

Subject: Revised Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Successor Agency to the Bell Gardens Community Development Commission (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

On October 13, 2012, Finance issued a letter stating that Item No. 25 was not enforceable. Based on further review, Finance has determined this item is enforceable and specifically tied to an unfunded enforceable obligation listed on the July through December 2012 ROPS. While Finance may have approved RPTTF funding that exceeded the amount available, the ability to fund items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF. If your Agency is experiencing a deficiency in funding, HSC 34183 (b) provides further guidance on how to proceed.

Finance also stated that your administrative costs exceeded the allowance by \$50,324. Based on the approval of Item No. 25, and a recalculation of your administrative costs, Finance has determined you are within the allowance pursuant to HSC section 341471 (b).

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following still do not qualify as enforceable obligations:

- Item No. 3 and 17 – City loans totaling \$51 million. In 1972 the City of Bell Gardens entered into a cooperation agreement to provide loans to the Agency using general fund reserves. For item no. 3, a staff report dated February 14, 2011 recommends a joint resolution of the City Council and the Agency to approve the repayment of funds advanced by the City and repayment schedules. Joint resolution no. 2011-03 and 2011-05, references the loans were entered into in 1973 through 1991 as evidenced in the City resolutions listed therein. Similarly, for item 17, the agreement execution is dated February 14, 2011. The Agency was created in 1972 and while there are exceptions recognizing loans between the City and the Agency as enforceable obligations, no loan agreements were provided. Therefore, these loans are not enforceable obligations at this time. HSC section 34171 (d) (2) states that agreements,

contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 11 – July through December 2012 shortfall in the amount of \$155,175 does not meet the definition of an enforceable obligation. While Finance may have approved RPTTF funding that exceeded the amount available, the ability to fund items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF. HSC section 34173 (h) allows for a city to loan funds to a successor for administrative costs and enforceable obligations, and put the repayment of these loans on the subsequent ROPS. This does not appear to be the case for this item. Additionally, it is not evident that this item is tied to a specific enforceable obligation on the July through December 2012 ROPS since the amount requested on this ROPS does not agree to the July through December 2012 ROPS. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 30 – Low and Moderate Income Housing loan repayments in the amount of \$595,290. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the low mod income housing fund shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is not an enforceable obligation and not eligible for RPTTF funding at this time.
- Item Nos. 9, 10, 12, 23, 24 and 26 – Although enforceable, the types of services requested totaling \$165,524 are considered general administrative costs and have been reclassified.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$10,129,125 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 10,268,558
Less: Six-month total for items denied or reclassified as administrative cost	
Item 3*	0
Item 9**	33,000
Item 10**	15,000
Item 11	155,175
Item 12**	34,762
Item 17*	0
Item 23**	33,000
Item 24**	15,000
Item 26**	34,762
Item 30	119,058
Total approved RPTTF for enforceable obligations	<u>\$ 9,828,801</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>300,324</u>
Total RPTTF approved:	\$ 10,129,125

*No payments requested for the reporting period

**Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Mr. Kaholokula
October 20, 2012
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Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at
(916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Phil Wagner, City Manager, City of Bell Gardens
Mr. John Oropeza, Assistant City Manager, City of Bell Gardens
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller