



REVISED

January 23, 2013

Mr. Doug Willmore, Chief Administrative Officer  
City of Bell  
6330 Pine Avenue  
Bell, CA 90201

Dear Mr. Willmore:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 5, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bell Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 21, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 5, 2012. 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 November 5, 2012.

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 item being disputed.

- Item No. 7 – City loans totaling \$11 million. Finance continues to deny the Item at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS. Upon receiving a Finding of Completion from Finance, and to the extent the Agency can prove the validity of the loan, HSC section 34191.4 (b) may cause the item to be enforceable in future ROPS periods.
- Item No. 13 – Payments to Los Angeles Unified School District (District) pursuant to a settlement agreement in the amount of \$715,539. Finance continues to deny the item at this time. The City of Bell, the Agency, and the District entered into a reimbursement agreement on September 28, 1987 to resolve issues related to the District's concern over the fiscal impact of the City of Bell's Redevelopment Plan (Plan) on the District and the anticipated allocation of tax increment monies arising from the Plan. Under the reimbursement agreement, the Agency is required to pay the District two percent of tax increment beginning with the first year of the Plan through the duration of the project.

However, it is unclear if the full amount owed under the reimbursement agreement was paid to the District. Currently, the Agency and the District are gathering and reviewing documents to determine the actual amount owed under the reimbursement agreement that was not paid. As such, they have determined that the minimum amount owed is the \$715,539 as reported on the ROPS; however, they are still determining what other amounts, if any, are also owed. Finance reviewed the reimbursement agreement and determined that it is an enforceable obligation; however, the amount actually owed, if any, cannot be determined without further information. Therefore, Finance is willing to allow the Agency to continue to work through the documentation and submit this issue on a subsequent ROPS for further review.

In addition, per Finance's determination letter dated October 15, 2012, the following items are not being disputed by the Agency and continue to be denied and/or reclassified as an administrative cost:

- Item No. 11 and 12 – Affordable Housing Monitoring and Administrative Costs of the Housing Successor Agency in the amount of \$841,254. HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Bell assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding from the Low and Moderate Income Housing Fund.
- Administrative costs claimed exceed the allowance by \$32,498. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor Controller's Office distributed \$125,000 of administrative costs for the July through December 2012 period, thus leaving a balance of \$125,000 available for the January through June 2013 period. Although \$125,000 is claimed for administrative cost, Item No. 3 and Item No. 6 for trustee fees and audit services totaling \$32,498 are considered administrative expenses, and should be counted toward the cap. Therefore, \$32,498 of excess administrative cost is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$722,908 as summarized below:

<b>For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,345,945
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 3 - Reclassified as administrative cost	2,498
Item 6 - Reclassified as administrative cost	30,000
Item 7	0
Item 13	715,539
Total approved RPTTF for enforceable obligations	\$ 597,908
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 722,908</b>

\* No payments requested for the reporting period

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 1,595,413
Total RPTTF for the period January through June 2013	597,908
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 2,193,321</b>
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	125,000
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 125,000</b>

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Anita Lawrence, Interim Finance Director, City of Bell  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office