DEPARTMENT OF FINANCE

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April 14, 2013

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

Dear Mr. Kaholokula:

Subject: 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 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

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

- Item No 29 – Regulatory oversight for the Burke Oil project in the amount of $9,000 is not an obligation of the Agency. The annual estimation letter for site cleanup cost is between the City of Bell Gardens (City) and Los Angeles Regional Water Quality Control Board and the former RDA is not a party to the agreement. In addition, no expenditure contracts are in place. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these line items are not enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.

- Item No. 31 – Although enforceable, the type of service requested in the amount of $10,000 is considered general administrative cost and has been reclassified.

- Item No. 34 – July through December 2012 (ROPS II) distribution shortfall in the amount of $381,083 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 or obligations, but

merely a plug to account for the difference between what was approved by Finance and what was actually received. Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on the ROPS.

- Item No. 36 – Low and Moderate Income Housing Fund (LMIHF) loan repayment in the amount of $595,290 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan repayments to the LMIHF shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14A technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

  HSC section 34176 (e) (6) (B) 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 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.

Except for item(s) denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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 $10,308,412 as summarized below:

Approved RPTTF Distribution Amount		
For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	10,621,357
Minus: Six-month total for items denied or reclassified as administrative cost		
Item 29		9,000
Item 31*		10,000
Item 34		381,083
Item 36		119,058
Total approved RPTTF for enforceable obligations	$	10,102,216
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		206,200
Minus: ROPS II prior period adjustment		(4)
Total RPTTF approved for distribution:	**$**	**10,308,412**

*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the 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 approved in

the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 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 Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. John Oropeza, Assistant City Manager, City of Bell Gardens
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office