

May 17, 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

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 11, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bell Gardens Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 2013. Finance issued its determination related to those enforceable obligations on April 11, 2013. 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 April 25, 2013.

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 items being disputed.

- Item No. 29 – Regulatory oversight for the Burke Oil property in the amount of \$9,000. Finance originally denied the item because the expense appeared to be the City of Bell Gardens' (City) obligation. According to the Agency, although the Los Angeles Regional Water Quality Control Board's (Board) estimation letter provided is addressed to the City of Bell Gardens (City) and not the redevelopment agency (RDA), the property is owned by the RDA. The item is related to the Board's billing for its oversight of investigation and clean-up work on the RDA's property. The Agency provided documentation to support ownership of the property to demonstrate that the item is the Agency's obligation. Therefore, the item is an enforceable obligation and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 31 – Employee costs relating to the refinancing of Agency debt in the amount of \$10,000. Specifically, this item represents Agency staff time spent in conjunction with the debt refinancing and restructuring activities performed by a third party. According to the Agency, these costs should be considered an enforceable obligation since this activity is not an administrative task. However, this activity is not related to a specific development project to be considered project costs. Finance considers that Agency's administrative staff time is expected to be spent towards Agency's wind-down activities and that the refinancing of debt constitutes one such activity. Therefore, Finance does not distinguish this particular portion of Agency staff time as separate from general

administration. As such, Finance continues to reclassify this item as a general administrative cost.

- Item No. 34 – July through December 2012 ROPS (ROPS II) distribution shortfall in the amount of \$381,083. Finance originally denied this item because it was not clear that the requested shortfall amount was for specific enforceable obligations. The Agency submitted a schedule detailing the ROPS II items that were unfunded as a result of the RPTTF shortfall. The Agency also stated that ROPS II items did not actually remain unfunded and Low-Moderate Income Housing Fund (LMIHF) cash available was used to fund the obligations. However, the Agency did not receive Oversight Board approval for the change in fund source for these items.

Furthermore, the request to retain LMIHF balance to use toward funding the ROPS II period RPTTF shortfall was denied by Finance in our November 30, 2012 letter regarding the LMIHF Due Diligence Review because LMIHF funding was not originally requested to fund the particular ROPS II items. Finance considers an “unfunded shortfall” to be prior ROPS period enforceable obligations that the Agency could not pay due to actual RPTTF distribution being less than total RPTTF amount approved by Finance. As the obligations affected by the RPTTF shortfall did not remain unfunded and were instead funded with another fund source without proper authorization, Finance continues to deny this item as an enforceable obligation and is not eligible for funding. For future reference, HSC sections 34173 (h) and 34183 (b) provide financing options for successor agencies in the event of an anticipated RPTTF shortfall.

In addition, per Finance’s ROPS letter dated April 11, 2013, the following item continues to be denied and was not contested by the Agency:

- 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). Therefore, the Agency may be able to request funding for the repayment of LMIHF loans beginning with ROPS 14-15A.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. 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 July through December 2013. Finance’s determination is effective for this time period only and should not be conclusively relied on 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 Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$10,317,412 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 10,621,357
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 31*	10,000
Item 34	381,083
Item 36	119,058
Total approved RPTTF for enforceable obligations	\$ 10,111,216
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	206,200
Minus: ROPS II prior period adjustment	(4)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 10,317,412</b>

\*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/](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.

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Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, 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