



May 17, 2013

Mr. Tae G. Rhee, Director of Finance/City Treasurer
City of Bellflower
16600 Civic Center Drive
Bellflower, CA 90706

Dear Mr. Rhee:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 3, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bellflower Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to Finance on February 5, 2013, for the period of July through December 2013. Finance issued a ROPS determination letter on April 3, 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 May 6, 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. 19 – Cash deficit as of June 30, 2012, in the amount of \$1,045,462. Finance continues to deny this item as it does not meet the definition of an enforceable obligation per HSC section 34171 (d). The Agency is requesting Redevelopment Property Tax Trust Fund (RPTTF) funding for the unfunded obligations from the Enforceable Obligation Payment Schedule (EOPS) period. To the extent any unfunded items are enforceable obligations, the Agency should list the individual items on a subsequent ROPS for review by Finance. If items were paid by the City of Bellflower (City), the Agency should list the repayment of the loan agreement on a subsequent ROPS for review by Finance. Therefore, this item is denied and not eligible for RPTTF funding.
- Item No. 29 – Cash deficit in the Agency's Housing Fund prior to the transfer of housing assets to the City in the amount of \$220,250. Finance continues to deny this item. It is our understanding the Agency inadvertently set aside funds in the Low and Moderate Income Housing Fund (LMIHF) after June 28, 2011. Upon making adjusting entries to the account, the LMIHF showed a deficit. The LMIHF cash deficit does not meet the definition of an enforceable obligation. Even if funds were paid back to the LMIHF, they would be considered unencumbered and are required to be remitted to the County Auditor Controller (CAC) for distribution to the taxing entities. To the extent there were any unfunded items that are enforceable obligations, the Agency should list the

individual items on a subsequent ROPS for review by Finance. Therefore, this item is denied and not eligible for RPTTF funding.

In addition, per Finance's ROPS letter dated April 3, 2013, the following items not disputed by the Agency during the Meet and Confer continue to be denied:

- Item No. 7 – Legal Services in the amount of \$30,000. It is our understanding that \$26,000 is for general legal services and \$4,000 is for project implementation related legal services. The \$26,000 has been reclassified as administrative costs and remains as Item No. 7. The \$4,000 is an enforceable obligation and has been moved to a new line, Item No. 30.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,440,366 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,651,781
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 7*	26,000
Item 19	1,045,462
Item 29	220,250
Total approved RPTTF for enforceable obligations	\$ 1,360,069
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	151,000
Minus: ROPS II prior period adjustment	70,703
Total RPTTF approved for distribution:	\$ 1,440,366

*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 that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

<http://www.dof.ca.gov/redevelopment/ROPS/view.php>

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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Brian Lee, Analyst, Community Development Director, City of Bellflower
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office