



April 16, 2014

Mr. Will Kaholokula, Director of Finance and Administrative Services
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 City of Bell Gardens Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 obligations for the reasons specified:

- Item Nos. 1, 2, 14, 15 – 2005 Series A Taxable Revenue Bonds and 2003 Series A and B Tax Allocation Bonds debt service payments totaling \$1,373,453 are partially denied. The Agency previously received Redevelopment Property Tax Trust Fund (RPTTF) funding for reserve debt service payments due on October 1, 2014 in ROPS 13-14B, therefore, the debt service payments requested for the following bonds will be reduced as follows to reflect the debt service reserves already funded:
 - Item No. 1 – 2005 Series A Taxable Revenue Bond in the amount of \$50,000
 - Item No. 2 – 2003 Series A Taxable Allocation Bond in the amount of \$210,000
 - Item No. 14 – 2005 Series A Taxable Revenue Bond in the amount of \$45,000
 - Item No. 15 – 2003 Series B Taxable Allocation Bond in the amount of \$152,500

Although there was a shortfall in ROPS 13-14B, the Agency did receive the approved amount for the bond debt service payments and reserve amounts. Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, the additional \$457,500 requested to be held in reserve along with the amounts required for the 13-14B ROPS period should have been transferred upon receipt to the bond trustee(s). Therefore, the requested amount for bond debt service payments in the amount of \$1,373,453 will be reduced to \$915,953.

- Item No. 35 – ROPS II period unfunded administrative allowance in the amount of \$134,294. Upon clarification with Agency staff, this item was fully funded and expended in ROPS 13-14A; therefore, this item does not qualify for funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$23,496. HSC section 34171 (b) limits the fiscal year 2014-15 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$337,088 is claimed for administrative cost, only \$313,592 is available pursuant to the cap. Therefore, \$23,496 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$11,481,451 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	11,767,591
Total RPTTF requested for administrative obligations	337,088
Total RPTTF requested for obligations	\$ 12,104,679
<hr/>	
Total RPTTF requested for non-administrative obligations	11,767,591
<u>Denied Items</u>	
Item No. 1	(50,000)
Item No. 2	(210,000)
Item No. 14	(45,000)
Item No. 15	(152,500)
Item No. 35	(134,294)
	<hr/> (591,794)
Total RPTTF authorized for non-administrative obligations	\$ 11,175,797
<hr/>	
Total RPTTF requested for administrative obligations	337,088
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(23,496)
Total RPTTF authorized for administrative obligations	\$ 313,592
<hr/>	
Total RPTTF authorized for obligations	\$ 11,489,389
ROPS 13-14A prior period adjustment	(7,938)
Total RPTTF approved for distribution	\$ 11,481,451

Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations	11,175,797
Less: III, 13-14A and 13-14B Authorized Shortfalls Item Nos. 37, 38 and 44	<hr/> (722,724)
Total ROPS 14-15A non-admin RPTTF obligations	10,453,073
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	\$ 313,592

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Oltmann, Supervisor or Veronica Green, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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