



May 16, 2014

Mr. Tae Rhee, Finance Director/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 March 24, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Bellflower Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15BA to Finance on February 24, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on March 24, 2014. 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 7, 2014.

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. 31 – Finance continues to maintain that the total outstanding balance for the Cooperation Agreement is overstated as it includes miscalculated interest. Based on our review of Attachment A – Cooperation Agreement – Recomputed Using Historic LAIF Rate from the Agreed-Upon Procedures report, the Agency recalculated the accumulated interest by using the Local Agency Investment Fund (LAIF) interest rate that was applicable for each year the loan has been outstanding. However, HSC section 34191.4 requires the recalculation of the accumulated interest at a rate not to exceed the interest rate earned by funds deposited in the LAIF at the time the Oversight Board finds that the loan was for legitimate redevelopment purposes and is deemed and enforceable obligation. Therefore, the Agency should recalculate the interest using the LAIF interest rate at the time the Agency's Oversight Board made the finding the loan was for legitimate redevelopment purposes and reflect the reduction to the loan's total outstanding balance in subsequent ROPS submittals.

Since the amount requested for ROPS 14-15A does not exceed the repayment formula outlined in HSC section 34191.4 (b) (2) (A), Finance is approving the amount requested. However, the approved amount of \$205,021 should only be applied to repayment of principal for Item No. 31.

In addition, per Finance's letter dated March 24, 2014, we continue to deny the following item not contested by the Agency during the Meet and Confer:

- Item No. 33 – Debt service reserves totaling \$377,577 for payments due January through June 2015. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the *following half* of the calendar year. Therefore, the request to fund payments due for the *first half* of the calendar year 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 items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency’s maximum approved RPTTF distribution for the reporting period is \$638,718 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	1,041,944
Total RPTTF requested for administrative obligations	188,000
Total RPTTF requested for obligations	\$ 1,229,944
Total RPTTF requested for non-administrative obligations	1,041,944
<u>Denied Item</u>	
Item No. 33	(377,577)
	(377,577)
Total RPTTF authorized for non-administrative obligations	\$ 664,367
Total RPTTF requested for administrative obligations	188,000
Total RPTTF authorized for administrative obligations	\$ 188,000
Total RPTTF authorized for obligations	\$ 852,367
ROPS 13-14A prior period adjustment	(213,649)
Total RPTTF approved for distribution	\$ 638,718

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

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

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

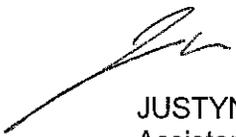
on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of 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 Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Pearl Tsui, Finance Manager, City of Bellflower
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office