



Oversight Board Agenda

Special Meeting

City of Bell

Monday, January 26, 2015

5:30 P.M.

Bell City Hall
Council Chambers
6330 Pine Avenue

Alicia Romero
Chair

Nancy Fong
Vice-Chair

Hector David Giron
Oversight Board Member

Andrew Sanchez
Oversight Board Member

Megan Moret
Oversight Board Member

John Walsh
Oversight Board Member

Rosie Vasquez
Oversight Board Member

Welcome to the Oversight Board Meeting

City of Bell and staff welcome you. This is your City Government. Individual participation is a basic part of American Democracy and all Bell residents are encouraged to attend meetings of the City Council. Oversight Board meetings are held in the Bell Council Chambers, 6330 Pine Avenue. For more information, you may call City Hall during regular business hours 8:00 a.m. to 4:00 p.m., Monday through Friday at (323) 588-6211 Extension 205.

Addressing the Oversight Board

If you wish to speak to the Oversight Board on any item which is listed or not listed on the Oversight Board Agenda, please complete a *Request to Speak Card* available in the meeting room. Please submit the completed card prior to the meeting.

Compliance with Americans with Disabilities Act

The City of Bell, in complying with the Americans with Disabilities Act (ADA), request individuals who require special accommodation(s) to access, attend, and or participate in a City meeting due to disability. Please contact the City Clerk's Office, (323) 588-6211, Ext. 205, at least one business day prior to the scheduled meeting to insure that we may assist you.

**OVERSIGHT BOARD TO THE SUCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF BELL**

SPECIAL MEETING AGENDA

CITY COUNCIL CHAMBERS

**MONDAY, JANUARY 26, 2015
5:30 P.M.**

NOTICE IS HEREBY GIVEN that the Oversight Board to the Successor Agency to the Bell Community Redevelopment Agency of the City of Bell will hold a Special Meeting on January 26, 2015 at 5:30 P.M., at Bell City Hall to consider the following:

CALL TO ORDER

Pledge of Allegiance
Roll Call
Changes to the Agenda

ANNOUNCEMENTS

PRESENTATIONS, APPOINTMENTS AND PROCLAMATIONS

PUBLIC COMMENTS

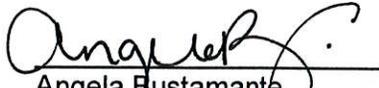
This is the time for the public to address the Oversight Board on issues within the jurisdiction of the Oversight Board that are NOT on this agenda. All comments are to be directed to the Oversight Board and shall not consist of any personal attacks. Members of the public are expected to maintain a professional, courteous decorum during their comments. There is a time limitation of three minutes per person. If you haven't already done so, please fill out name and address slips and give them to the Secretary to the Oversight Board. The Oversight Board is prohibited by State law from taking action or discussing items not included on the printed agenda. Public comments on specific agenda items will be deferred until consideration of the item on the agenda.

DISCUSSION AND POTENTIAL ACTION ITEMS

1. Consideration of Resolution No. 2015-01 OB approving a General Fund "Shortfall Loan" to the Successor Agency Trust Fund in the amount of \$1,245,680.
2. Oversight Board Communications

ADJOURNMENT

I, Angela Bustamante, Oversight Board Secretary of the City of Bell, certify that a true and accurate copy of the forgoing agenda was posted on January 23, 2015, at least 24 hours prior to the meeting as required by law.


Angela Bustamante
Oversight Board Secretary

Bell Oversight Board Agenda Report

DATE: January 26, 2015

TO: Honorable Oversight Board Members

FROM: Successor Agency Staff

APPROVED BY: 
Doug Willmore, City Manager

SUBJECT: General Fund "Shortfall Loan" to the Successor Agency Trust Fund in the amount of \$1,254,680

RECOMMENDED ACTION

It is recommended that the Oversight Board adopt Resolution No. 2015-01 OB authorizing the Successor Agency to enter into a Loan Agreement with the City of Bell in the amount of \$1,254,680.

SUMMARY

On September 26, 2014, the City of Bell Successor Agency ("Successor Agency") approved a loan agreement ("Loan Agreement") and promissory note between the City of Bell and the Bell Successor Agency to eliminate a carryover cash deficit that would have prohibited the Successor Agency from making its October 1, 2014 debt service payment and to pay other enforceable obligations listed on the Recognized Obligation Payment Schedule ("ROPS") covering the period July 1, 2014 to December 31, 2014.

On September 29, 2014, the Bell Oversight Board approved the Loan Agreement between the City of Bell and the Bell Successor Agency. The Oversight Board action was sent to the California Department of Finance ("DOF") for review on November 6, 2014. DOF issued its determination on December 15, 2014 denying the loan. After discussing the denial with DOF staff, it is believed DOF did not fully understand the complexity of the problem or that the cash deficit initially occurred in October 2011. DOF has since been fully briefed on the issue and requires that the Oversight Board Resolution approving the Loan Agreement be revised to more fully explain the origin of the deficit. The revised Resolution is attached for your review and consideration.

As of September 2014, the Successor Agency had cash reserves of \$750,000, an amount insufficient to effectuate a \$1,511,914.37 million debt service payment due October 1, 2014. The cash balance was also insufficient to meet the remainder of recognized obligations on ROPS 14-15A, totaling \$459,952. In addition, ROPS 14-15A reported cash unexpended from

the prior ROPS period of \$44,728, and this was added to the total loan amount of \$1,254,680. At this point in time, the City of Bell transferred money to the Successor Agency to cover their obligations during ROPS 14-15A. Executing this Loan Agreement will ensure the City gets repaid through the ROPS process.

BACKGROUND

In order to determine how the deficit occurred, the Finance Department retained the emergency services of Suzanne Harrell (Harrell & Co Advisors) to perform a "forensic" cash flow analysis of the Trust Fund. Harrell & Co made the following conclusions based on their research:

1. The former Bell Redevelopment Agency was operating in a cash deficit at certain times during the fiscal year for several years prior to redevelopment dissolution. On October 1, 2009, for example, the deficit following payment of debt service was \$609,000.
2. After formation per the requirements of redevelopment dissolution law on February 1, 2012, the new Successor Agency's cash deficit was approximately \$1,255,000 because none of the tax increment received between November 2011 and January 2012 was allowed to offset any deficit from October 1, 2011.
3. The deficit position was not obvious because (a) City back audits were completed one year after dissolution, (b) the Successor Agency Due Diligence Reviews ("DDR"s) were completed 26 months after dissolution, and (c) the Successor Agency's cash holdings were combined with the \$2.975 million in Successor Agency Housing Fund cash holdings until June, 2014, the point at which the Successor Agency was required to liquidate the Housing Fund and make a \$2.963 million payment to the County. In practical terms, the Successor Agency was operating through de facto loans from the Housing Fund after dissolution.
4. Post-audit cash balances of the Successor Agency were not accurately migrated to ROPS, in particular those approved after DDR publication in August 2013. In this regard, however, City staff relied on the conclusive (and positive) interpretation of Successor Agency cash flow as articulated by the City's former professional audit firm, Macias, Gini & O'Connell ("MGO"). The opportunity for MGO to alert the City a potential problem in cash flow was missed in August 2013.
5. ROPS 3, that pertinent to the period January to June 2013, was the first ROPS that required, per the direction of DOF, a "true up" reconciliation of amounts expended against the City's General Ledger. At this point, RSG, the City's professional dissolution advisors tasked with ROPS preparations, likely should have determined a cash flow problem. They did not notify the City of any issue in the "true up".
6. Had MGO communicated a problem to the City in Successor Agency cash flow upon publication of the DDR in October 2013, or if RSG had in January 2014, the City would have been notified approximately nine months prior to the discovery in September 2014, beginning with the ROPS created in January 2014. This said, however, the cash flow problem that was inherited by the SA would have been the same. This is a problem born originally from the Robert Rizzo regime, and exacerbated by the dissolution legislation. The reality is that the City has to borrow from the General Fund to cover financial

obligations of the RDA because the financial obligations exceeded available funds, and the RDA was being subsidized by the Housing Fund.

For additional background information, please see the memorandum prepared by Harrell & Co, included herewith as Attachment 1.

FISCAL IMPACT

General Fund reserves in September 2014 were estimated to be \$22.8 million. The total shortfall loan required to eliminate the cash flow deficit carried forward from dissolution and allow for payment of financial obligations of the Successor Agency during the ROPS 14-15A cycle, inclusive of the bond payment, is \$1,254,680. It is, therefore, respectfully recommended that the Oversight Board approve Resolution No. 2015-01 OB authorizing the City and Successor Agency to enter into the Loan Agreement developed by the City Attorney's Office and included herewith as Attachment 3.

LOAN REPAYMENT

The attached Loan Agreement and Promissory Note were prepared by June Ailin of Aleshire & Wynder in consultation with Suzanne Harrell of Harrell & Associates. Following approval by the Bell Oversight Board of the Resolution authorizing the loan, the Oversight Board action will be sent to DOF for final review.

Since the shortfall loan is not a pre-dissolution obligation to the City, it is, rather, a loan for the purpose of paying enforceable obligations; repayment is not limited by the loan repayment formula of Section 34191.4 of the Health and Safety code (that which governs pre-dissolution loans between the former Bell Redevelopment Agency and the City).

The Successor Agency's annual ongoing obligations are approximately \$3.4 million, and the available net tax increment to pay such obligations is approximately \$3.9 million. The \$500,000 annual surplus can be used to repay the loan, once the Oversight Board and the DOF have approved the Successor Agency action to enter into the loan agreement.

Based on available revenues, it is expected that the City would be repaid within 3 years:

FY 2015-2016	\$400,000 plus accrued interest
FY 2016-2017	\$500,000 plus accrued interest
FY 2017-2018	Remaining principal balance of the Loan Amount plus accrued interest

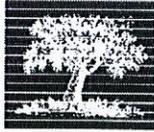
The Successor Agency shall have the right to prepay the unpaid principal and interest of the Loan Amount, or portion thereof, at any time. This will allow a faster repayment if there is sufficient residual or pension override legislation is not enacted.

ATTACHMENTS

Attachment 1: Harrell & Co. Analysis

Attachment 2: Resolution No. 2015-01 OB

Attachment 3: Loan Agreement and Promissory Note



HARRELL & COMPANY
ADVISORS, LLC

September 24, 2014

To: Doug Willmore, City Manager

From: Suzanne Harrell

RE: Successor Agency Cashflow Loan

Many agencies faced significant financial challenges as a result of redevelopment dissolution and the *very* short time with which to comply with the court's ruling in December 29, 2011 and the end date of dissolution date of January 31, 2012.

Compounding the problem was the fact that the Department of Finance interpreted the Dissolution Act to require that any tax increment received in December 2011 and January 2012 as only available to fund post-dissolution enforceable obligations payable from January 1 to June 30, 2012.

This DOF interpretation created a cashflow problem for many redevelopment agencies at dissolution, because there was not sufficient tax increment collected in the Spring of 2011 to cover some large principal payments on tax allocation bonds in the Fall of 2011 before the next tax increment payment was due from the County in December 2011. For the Bell Redevelopment Agency, the October 1, 2011 bond payment was \$1,450,334, and the available funds at that time were approximately \$200,000. The cashflow deficit created when the bonds were paid was intended to be covered only on an interim basis by the funds on deposit in the Low and Moderate Income Housing Fund, until the next tax increment receipt. When dissolution occurred, there was no tax increment to apply to this deficit and the Low and Moderate Income Housing Fund had to be "made whole."

Many agencies were aware of this cashflow issue upon dissolution, but a good number were not. It wasn't until agencies starting paying the "July True-Up" payments and Due Diligence Review (DDR) payments that many agencies realized they had carryforward cashflow deficit problems from dissolution that were masked by cash balances in their pooled redevelopment accounts. In the case of Bell, the problem was further exacerbated by the fact that the audited cash balances for June 30, 2012 were not available until much later in July 2013.

The DDR (non-housing) was complete in August 2013 and showed that as of June 30, 2012, the Successor Agency had unencumbered cash of a negative \$1.3 million. But because the audit, the DDR and the ROPS were all being prepared independently of each other, it may have been difficult to see how all these pieces fit together and what it ultimately meant.

Even the Department of Finance didn't ask for cash reconciliations that tied to the Successor Agency's January 1, 2013 general ledger until the September 2013 filing of ROPS 13-14B.

Dissolution was and is a complex process and the forms and reporting continue to change each with each ROPS reporting period. The City of Bell is not the only city that had to unwind its redevelopment agency with a cashflow deficit. Further, due to the delay in the completion of the City's audits, it would have been difficult to get the true sense of the problem unless someone with a lot of experience in dissolution matters was looking over all the different dissolution processes.

We have looked at the documentation available at this time, and have concluded that there is approximately \$500,000 of unencumbered Redevelopment Property Tax Trust Fund moneys (RPTTF) available after paying existing obligations and the administrative fees to repay the City for advancing the funds to cover the cashflow deficit.

I would be happy to answer any questions that you may have.

RESOLUTION NO. 2015-01 OB

**A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE DISSOLVED BELL COMMUNITY REDEVELOPMENT
AGENCY AUTHORIZING THE SUCCESSOR AGENCY TO ENTER INTO A
LOAN AGREEMENT (HCS §34173(h)) WITH THE CITY OF BELL**

WHEREAS, pursuant to the Community Redevelopment Law (Health and Safety Code section 33000 *et seq.*), the City Council of the City created the Redevelopment Agency of the City of Bell (“Redevelopment Agency”);

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Ana Matosantos*, finding Assembly Bill AB x1 26 (“Dissolution Act”) largely constitutional;

WHEREAS, pursuant to the Dissolution Act and the California Supreme Court’s decision in *California Redevelopment Association v. Ana Matosantos*, all redevelopment agencies throughout California, including the Redevelopment Agency were dissolved, effective February 1, 2012;

WHEREAS, on January 25, 2012, pursuant to Resolution 2012-15 and Health and Safety Code section 34173(d), the City elected to become the successor agency to the dissolved Redevelopment Agency of the City of Bell. As Successor Agency, the City administers winding down the former redevelopment agency and provides that the former Redevelopment Agency’s “enforceable obligations” are paid, including debt service on outstanding bonds or third party contracts;

WHEREAS, on June 27, 2012, Assembly Bill 1484 (“AB 1484”) was signed by the Governor of California which amended the Dissolution Act;

WHEREAS, In the spring of 2011, the Redevelopment Agency received tax increment to pay enforceable obligations, however the balance of the Redevelopment Agency’s unexpended tax increment received as of June 30, 2011 were insufficient to pay enforceable obligations, including a shortfall to pay a portion of its Tax Allocation Refunding Bonds, Issue of 2003 (“2003 Bonds”) debt service payment in the amount of \$1,254,680, that was due on October 1, 2011 prior to the next anticipated receipt of tax increment in December 2011 and had to rely on other City funds to provide interim cashflow to the Redevelopment Agency to meet this enforceable obligation;

WHEREAS, as a result of AB 1484, the tax increment the Redevelopment Agency received in November 2011, December 2011, and January 2012 was required to be spent on enforceable obligations payable between January 1, 2012 and June 30, 2012, and was not available to repay any interim cashflow deficit;

WHEREAS, prior to the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos*, on or about July 18, 2011, the California Supreme Court issued a stay of many provisions of the Dissolution Act, but did not stay the prohibition against incurring new debt. The Redevelopment Agency was therefore unable to formally adopt an agreement to repay the City for the advance of money required to pay the enforceable obligation. In addition, the California Supreme Court had not yet ruled on the constitutionality of

the Dissolution Act, and the Redevelopment Agency had "opted in" to an alternative voluntary redevelopment program in lieu of dissolution of the the Redevelopment Agency, and the Redevelopment Agency and the City were assuming in good faith that the cashflow advance would be reimbursed when the Redevelopment Agency received its distribution of tax increment in December 2011. With the dissolution of the Redevelopment Agency, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency;

WHEREAS, pursuant to Health and Safety Code Section 34173(h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule ("ROPS") or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans;

WHEREAS, pursuant to Health and Safety Code Section 34177.3(a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations under the authority of the Dissolution Act or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The advance of money described above was used to pay enforceable obligations that were incurred prior to June 28, 2011;

WHEREAS, AB 1484 (which allows such advances to be approved and documented under certain circumstances) was not adopted until the end of June 2012, and therefore the Successor Agency could not enter into a reimbursement or loan agreement at the time of the expenditure. After the adoption of AB 1484, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency;

WHEREAS, to enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administration costs and other obligations, the City desires to loan to the Successor Agency an amount not to exceed \$1,254,680;

WHEREAS, subject to Oversight Board approval, the Successor Agency may enter into the Loan Agreement (the "Loan Agreement") with the City pursuant to the authority granted by Health and Safety Code Sections 33220, 34173(h), 34177.3 and 34180(h);

WHEREAS, the City and the Successor Agency have determined that entering into the Loan Agreement is in the best interests of the City and the Successor Agency;

WHEREAS, after reviewing the terms of the Loan Agreement between the City and the Successor Agency, the Loan from the City to the Successor Agency, and the Successor Agency's repayment of such Loan as presented to and recommended for approval to the Oversight Board by the Successor Agency, and after reviewing any written and oral comments from the public relating thereto, the Oversight Board desires to approve the terms of the Loan and the Loan Agreement and to make the following accompanying findings, resolutions and determinations.

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, the Oversight Board to the Successor Agency to the Dissolved Bell Community Redevelopment Agency, resolves as follows:

- SECTION 1.** The foregoing recitals are true and correct.
- SECTION 2.** The Oversight Board hereby finds and determines that the Loan Agreement and the Loan are necessary for the Successor Agency to meet its fiduciary responsibilities for the purpose of paying the obligations set forth in the Loan Agreement.
- SECTION 3.** The Oversight Board hereby approves: (i) the Loan Agreement as an enforceable obligation under the Dissolution Act, wherein the City would provide the Loan to the Successor Agency for the purpose of paying the obligations set forth in the Loan Agreement; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.
- SECTION 4.** The Oversight Board hereby authorizes the Successor Agency to execute the Loan Agreement between the Successor Agency and the City consistent with the terms of the Loan Agreement and the Loan approved by this Resolution, including without limitation the City's advance of the Loan in the amount not to exceed \$1,254,680; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.
- SECTION 5.** This Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

PASSED, APPROVED and ADOPTED at a meeting of the Bell Oversight Board held on this ___th day of January 2015, by the following vote:

OVERSIGHT BOARD CHAIR

ATTEST:

OVERSIGHT BOARD SECRETARY

APPROVED AS TO FORM:

David Aleshire, CITY ATTORNEY

I, Angela Bustamante, Oversight Board Secretary, Bell California, hereby certify that the foregoing resolution was adopted by the Bell Oversight Board to the former Bell Community Redevelopment Agency at the Oversight Board meeting held on the ___th day of January 2015 and passed by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Oversight Board Secretary

EXHIBIT A

**LOAN AGREEMENT BETWEEN THE CITY OF BELL AND
THE SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY
OF BELL**

[Attached behind this page]

**LOAN AGREEMENT BETWEEN CITY OF BELL, A MUNICIPAL CORPORATION,
AND CITY OF BELL, AS SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF BELL**

THIS LOAN AGREEMENT ("Agreement") is dated as of this 26th day of September, 2014 by and between the CITY OF BELL, a California municipal corporation ("City"), and the CITY OF BELL, AS SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF BELL, a public body corporate and politic ("Successor Agency"). Successor Agency and City are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties." This Agreement is entered into with reference to the following recitals of fact ("Recitals") that Successor Agency and City believe to be true, as of the date each Party executes this Agreement.

RECITALS

A. Pursuant to the Community Redevelopment Law (Health and Safety Code section 33000 *et seq.*), the City Council of the City created the Redevelopment Agency of the City of Bell ("Redevelopment Agency").

B. Pursuant to legislative action of the California Legislature in 2011, which was held constitutional by the Supreme Court of the State of California (*California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861), all redevelopment agencies throughout California were dissolved, effective February 1, 2012.

C. On January 25, 2012, pursuant to Resolution 2012-15 and Health and Safety Code section 34173(d), the City elected to become the successor agency to the dissolved Redevelopment Agency of the City of Bell.

D. On June 27, 2012, Assembly Bill 1484 ("AB 1484") was signed by the Governor of California which, among other things, allows the City to loan funds to the Successor Agency for administrative costs, enforceable obligations, or project-related expenses at the City's discretion, pursuant to Health and Safety Code section 34173(h).

E. In the spring of 2011, the Redevelopment Agency received tax increment to pay enforceable obligations, however the balance of the Redevelopment Agency's unexpended tax increment received as of June 30, 2011 was insufficient to pay enforceable obligations, including a shortfall to pay a portion of its Tax Allocation Refunding Bonds, Issue of 2003 ("2003 Bonds") debt service payment in the amount of \$1,077,916, that was due prior to the next anticipated receipt of tax increment in December 2011 and had to rely on other City funds to provide interim cashflow to the Redevelopment Agency to meet this enforceable obligation.

F. As a result of AB 1484, the tax increment the Redevelopment Agency received in November 2011, December 2011, and January 2012 was required to be spent on enforceable obligations payable between January 1, 2012 and June 30, 2012, and was not available to repay any interim cashflow deficit.

G. Prior to the dissolution of the Redevelopment Agency, the Redevelopment Agency was operating with a cash deficit, the existence of which was obscured by various circumstances predating the dissolution of the Redevelopment Agency and exacerbated by the impact of certain aspects of the redevelopment dissolution process itself. As a result, the Successor Agency inherited a cash deficit of at least \$1,254,680.

H. Due to this ongoing cash deficit remaining from dissolution, the Successor Agency is unable to make a required debt service payment, due on October 1, 2014, on its 2003 Bonds (item No. 1 on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") 14-15A), and unable to pay other obligations on that ROPS, notwithstanding the receipt of funds from the Los Angeles County Auditor-Controller that appeared to be sufficient to pay all enforceable obligations on ROPS 14-15A.

I. To enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administration costs and other obligations, the City desires to loan to the Successor Agency an amount not to exceed \$1,254,680 ("Loan Amount").

J. It is in the best interest of both the City and the Successor Agency that the Successor Agency have funds to pay this enforceable obligation as a default by the Successor Agency may affect the creditworthiness of the City and Successor Agency.

K. The City Council has determined pursuant to Health and Safety Code Section 34173(h), the City will loan to the Successor Agency that amount necessary for the Successor Agency to eliminate its cashflow deficit and meet its enforceable obligations.

L. The Parties now desire to enter into this Agreement to memorialize the terms and conditions of the City loan to the Successor Agency for payment of enforceable obligations..

M. The Successor Agency may enter into this Agreement subject to Oversight Board approval and the authority granted by Health and Safety Code Sections 33220, 34173(h), 34177.3 and 34180(h).

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the Successor Agency and City, the Parties agree as follows:

1. EFFECTIVE DATE.

1.1. **Effective Date of Agreement.** This Agreement is dated this 26th day of September, 2014 for reference purposes only. This Agreement shall not become legally effective or binding until the date on which all of the following are true ("Effective Date"):

1.1.1. This Agreement is approved by the Governing Board of the Successor Agency and the City Council of the City and executed by the authorized representatives of the Successor Agency and City, respectively;

1.1.2. This Agreement is approved by the Oversight Board of the Successor Agency; and

1.1.3. Pursuant to Health and Safety Code section 34179(h), written notice and information about the approval of this Agreement by the Oversight Board is provided to the State of California Department of Finance ("DOF") and DOF either chooses not to review this Agreement or approves this Agreement following review.

2. LOAN.

2.1. **Loan Amount.** Upon execution of this Agreement, and subject to approval of the Department of Finance, the City shall loan the Loan Amount to the Successor Agency from the City's General Fund in immediately available funds.

2.2. **Use Of Loan Amount.** The Loan Amount shall be used by the Successor Agency for the sole purpose of paying amounts advanced for the Successor Agency's 2003 Bonds October 1, 2011 debt service payment. .

2.3. **Repayment Of Loan Amount; Promissory Note.** The Successor Agency agrees to repay the Loan Amount, with interest accruing at the current Local Agency Investment Fund interest rate in effect on the date this Agreement. Concurrently with execution of this Agreement, the Successor Agency shall execute a promissory note substantially in the form of Exhibit 1 attached hereto.

2.4. **Enforceable Obligation.** Pursuant to Health and Safety Code section 34173(h), the Loan Amount shall be reflected on the Successor Agency's future ROPS and, upon approval of this Agreement by the Oversight Board, the repayment of the Loan Amount shall be deemed to be an enforceable obligation, payable in accordance with the payment schedule set forth and attached hereto as Exhibit 2 ("Payment Schedule"). The repayment is not subject to the restrictions of Section 34176(e)(6)(B) or 34191.4(b) of the Health and Safety Code and would be paid from first available Redevelopment Property Tax Trust Fund ("RPTTF") funds not required for other enforceable obligations.

2.4.1. Should the Successor Agency receive insufficient funds from the RPTTF to pay all costs shown on its ROPS including the amount shown on the Payment Schedule, then any unpaid balance of any principal and interest for such ROPS period shall be due and payable in full on the next ROPS.

2.4.2. The procedure described in this section shall continue to be followed for each ROPS until the Loan Amount and interest thereon is paid in full. Any remaining principal and interest due on the Loan Amount as set forth in the Payment Schedule shall continue to be shown as an enforceable obligation on each ROPS until the Successor Agency has received sufficient funds to pay the entire Loan Amount and interest thereon.

2.4.3. The Successor Agency shall have the right to prepay the unpaid principal and interest of the Loan Amount, or portion thereof, at any time.

3. GENERAL TERMS.

3.1. **Time Is Of The Essence.** Time is of the essence in the performance of the Parties' obligations under this Agreement.

3.2. **No Third Party Beneficiaries.** This Agreement is expressly declared to be for the sole benefit of the Parties hereto. No other person or entity not a signatory to this Agreement shall have any rights or causes of actions against any Party to this Agreement because of that Party's entry into this Agreement.

3.3. **Assignment.** City may not assign any of its rights or obligations under this Agreement without the prior express written consent of the Successor Agency, which may be given or withheld in the Successor Agency's sole and absolute discretion.

3.4. **Failure To Strictly Enforce Not A Waiver.** Failure by any Party to this Agreement to insist upon the strict performance of any provision of this Agreement at any one or more times shall not be deemed to constitute a waiver of that Party's right to insist upon strict performance of that or any other provision of this Agreement on future occasions. No alleged waiver of any right afforded to any Party under this Agreement shall be effective unless in writing.

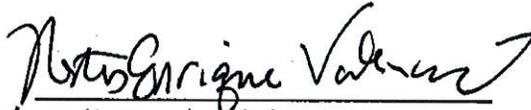
3.5. **Attorneys' Fees.** In the event that any action or proceeding is commenced by either the Successor Agency or City against the other to interpret or enforce any provision of this Agreement, the prevailing Party in any such action or proceeding shall be entitled to recover from the non-prevailing Party, in addition to all other relief to which the prevailing Party may be entitled, the prevailing Party's reasonable attorneys' fees and litigation costs, including fees for use of in-house legal counsel by a Party, as established by a court of law. Recoverable costs and fees shall include those incurred on appeal and in the enforcement of any judgment.

3.6. **Amendments and Modifications.** This Agreement may be amended only by written agreement of the Parties.

3.7. **Severability.** If any provision of this Agreement or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Agreement that can be given effect without the invalid provision or application, and to this end the provisions of this Agreement are severable.

IN WITNESS WHEREOF, SUCCESSOR AGENCY and CITY have executed this Agreement as of the above Execution Date.

SUCCESSOR AGENCY

By: 
Nestor E. Valencia, Chairman

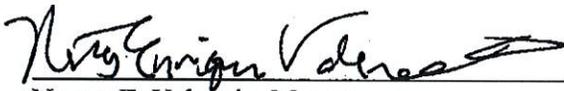
ATTEST:


Secretary

APPROVED AS TO FORM:


David J. Aleshire, Successor Agency Counsel

CITY OF BELL,
a municipal corporation

By: 
Nestor E. Valencia, Mayor

ATTEST:


City Clerk

APPROVED AS TO FORM:


David J. Aleshire, City Attorney

EXHIBIT 1

PROMISSORY NOTE

\$1,254,680

September 26, 2014

FOR VALUE RECEIVED, this Promissory Note is dated as of the 26th day of September, 2104 ("Promissory Note") and evidences an indebtedness of the City of Bell, as Successor Agency to the Former Redevelopment Agency of the City of Bell, a public body corporate and politic ("Successor Agency" or "Maker"), to the City of Bell, a California municipal corporation ("City" or "Holder"). For value received, the Maker hereby promises to pay to the order of Holder, at such address as Holder shall designate, the Loan Amount (as defined in the Agreement), with interest, in accordance with the terms of this Promissory Note.

1. **Loan Agreement.** The rights and obligations of Maker and Holder under this Promissory Note are made with respect to that certain agreement entitled "Loan Agreement" dated September 26, 2014 by and between Maker and Holder ("Agreement"), as approved by Maker and Holder at a public meeting on September 26, 2014. The terms and provisions of the Agreement are incorporated into this Promissory Note by reference. All capitalized terms used but not otherwise defined in this Promissory Note shall have the meanings ascribed to them in the Agreement.

2. **Unsecured Obligation.** Maker's obligations under this Promissory Note are not secured by any instrument encumbering any property or asset of Maker.

3. **Repayment of Promissory Note.** Maker shall pay to the order of Holder the Loan Amount, with interest accruing at the current Local Agency Investment Fund (LAIF) interest rate per annum, being the LAIF Apportionment rate for the quarter ending September 30, 2014, as follows.

3.1 Maker promises to pay to the order of Holder the Loan Amount, with interest, until repaid. The first installment shall be paid during the period of July 1, 2015 to December 31, 2015, if sufficient tax allocation is available. Subsequent installments will be paid over multiple ROPS cycles as sufficient funds are available.

3.2 All payments due hereunder are payable in lawful money of the United States in same day funds. The Loan Amount may be prepaid, in whole or in part, at any time and from time to time without penalty or minimum.

3.3 The entire unpaid balance of the Loan Amount shall be due and payable, prior to the Maturity Date upon Maker's material breach on any of the obligations of this Promissory Note.

3.4 Maker's obligation to pay the unpaid principal balance of the Loan Amount shall be limited to the available funds of Maker which are not otherwise encumbered as of the date of this Promissory Note.

4. **Assignment.** Holder shall have no power to transfer or assign its right to receive any payment under this Promissory Note, unless Maker has first granted written approval to Holder for such a proposed assignment, in the Maker's sole and absolute discretion.

5. **Severability.** The unenforceability or invalidity of any provision or provisions of this Promissory Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other person or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

6. **Governing Law.** The validity, interpretation and performance of this Promissory Note shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles.

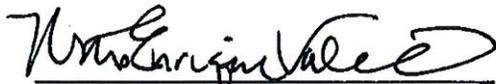
7. **Jurisdiction and Venue.** The Holder and the Maker acknowledge and stipulate that the obligation hereunder was entered into in the County of Los Angeles, California. Any legal action or proceeding to interpret, enforce, or which in any way arises out of this Promissory Note shall be instituted and prosecuted in the appropriate court in the County of Los Angeles, California. Holder and Maker expressly waive, to the maximum legal extent, any legal right either Party may have to have such action or proceeding transferred to or prosecuted in any other court or jurisdiction.

8. **Amendments and Modifications.** This Promissory Note may be amended or modified only in writing signed by the Holder and the Maker.

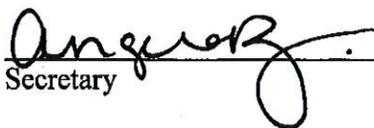
9. **Time of the Essence.** Time is of the essence of this Promissory Note.

IN WITNESS WHEREOF, SUCCESSOR AGENCY as Maker, and CITY as Holder, have executed this Promissory Note as of the above Execution Date.

SUCCESSOR AGENCY (MAKER)

By: 
Nestor Valencia, Chairman

ATTEST:


Secretary

APPROVED AS TO FORM:

David J. Aleshire

David J. Aleshire, Successor Agency Counsel

CITY OF BELL,
a municipal corporation (HOLDER)

By: *Nestor E. Valencia*
Nestor E. Valencia, Mayor

ATTEST:

Angela J. ...
City Clerk

APPROVED AS TO FORM:

David J. Aleshire
David J. Aleshire, City Attorney

EXHIBIT 2

PAYMENT SCHEDULE

<u>FISCAL YEAR</u>	<u>PAYMENT AMOUNT</u>
FY 2015-2016	\$400,000 plus accrued interest
FY 2016-2017	\$500,000 plus accrued interest
FY 2017-2018	Remaining principal balance of the Loan Amount plus accrued interest