



December 17, 2013

Ms. Francesca Schuyler, City Administrator
City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640

Dear Ms. Schuyler:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Montebello Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on September 26, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 7, 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 November 21, 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 – Reimbursement of property maintenance costs paid by the City of Montebello (City) for City Hall, Police Station, and Acuna Park in the amount of \$219,280. Finance continues to deny this item at this time. HSC section 34171(d)(1)(F), states that enforceable obligations include contracts or agreements necessary for maintaining assets prior to disposition. However, Finance initially denied this item as it was our understanding there is not a reimbursement agreement in place. During the Meet and Confer process, the Agency stated that the City paid for the maintenance of Agency-owned properties between February 1, 2012 and June 30, 2013. However, Finance is unable to determine whether this item is enforceable due to a lack of documentation identifying each of the maintenance costs incurred and the associated properties. Therefore, this item is not an enforceable obligation at this time and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding this period.
- Item Nos. 30 through 32, and 34 – Funding to adjust the July through December 2012 (ROPS II) prior period adjustment for attorney fees, arbitrage calculations, and other items totaling \$298,051. Finance continues to deny these items. Item Nos. 30 through 32 were initially denied as the funding to adjust these items was previously denied in Finance's ROPS 13-14A Meet and Confer letter dated May 17, 2013. Item No. 34 was initially denied as according to the Agency's self-reported ROPS II Actual

Payments form submitted during the ROPS 13-14A period, this item was fully funded and paid with RPTTF during the ROPS II period. During the Meet and Confer process, the Agency contended that during the ROPS II period, these items were reclassified or omitted from the County Auditor Controller's (CAC) calculation. Our review indicates that all of these items were approved on the ROPS II and the Agency received sufficient RPTTF funding to pay all approved ROPS II obligations. Additionally, our review also identifies that the Agency had expended funds on items that were disallowed during the ROPS II period. Furthermore, the Agency did not provide sufficient evidence indicating that these items remain unpaid as the resulting prior period adjustment was only \$46,060. Therefore, Finance continues to deny RPTTF funding for these items as funding has already been provided.

- Item No. 25 – Due Diligence and Annual Audit costs in the amount of \$15,000. Finance continues to reclassify this item as an administrative cost. Finance initially determined that the Due Diligence Review (DDR) preparation services were fully funded and paid during the ROPS 13-14A period. As a result, Finance initially determined that this item was for general audit services and had been reclassified as an administrative cost. The Agency contended that these are outstanding expenses incurred by the Agency in completing the Other Funds and Accounts DDR. However, the Agency did not provide sufficient documentation indicating that the DDR costs remain unpaid as the DDR has already been completed and was submitted to Finance in January 2013. Therefore, this item continues to be reclassified as an administrative cost in the amount of \$15,000. Although this reclassification increased administrative costs to \$24,442, the administrative cost allowance has not been exceeded.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the below table 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 or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$4,794,247 as summarized on the following page:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,702,137
Total RPTTF requested for administrative obligations	9,442
Total RPTTF requested for obligations	\$ 5,711,579
Total RPTTF requested for non-administrative obligations	5,702,137
<u>Denied Items</u>	
Item No. 29	(219,280)
Item No. 30	(78,061)
Item No. 31	(50,000)
Item No. 32	(1,100)
Item No. 34	(168,890)
	<u>(517,331)</u>
<u>Reclassified Items</u>	
Item No. 25	(15,000)
	<u>(15,000)</u>
Total RPTTF approved for non-administrative obligations	5,169,806
Total RPTTF requested for administrative obligations	9,442
<u>Reclassified Items</u>	
Item No. 25	15,000
	<u>15,000</u>
Total RPTTF for administrative obligations	24,442
Total RPTTF approved for obligations	5,194,248
ROPS III prior period adjustment	(400,001)
Total RPTTF approved for distribution	\$ 4,794,247

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. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund 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 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 (j). 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 Derk Symons, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Michael Huntley, Dir. of Planning and Comm. Dev., City of Montebello
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office