



April 8, 2014

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

Dear Ms. Schuyler:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Montebello Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 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:

- Items Nos. 39 through 42 – Retirement Property Tax Increment obligation totaling \$11,026,173 are not enforceable obligations. The Agency provided a Resolution and an Ordinance of the City Council of the City of Montebello (City); however, these documents do not appear to obligate the Agency. To the extent the Agency can provide documentation to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.
- Item No. 45 – Housing Administrative cost allowance pursuant to AB 471 in the amount of \$350,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. The housing entity to the former redevelopment agency is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City. Therefore, \$350,000 of housing entity administrative allowance is not allowed.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$1,073,985 and Other Funds totaling \$626,816.

Therefore, the funding source for the following items have been reclassified to Reserve Balances and Other Funds and in the amounts specified below:

- Item No. 35 through 38 – Various line items totaling \$1,038,691 has been reclassified. The Agency requests a combined \$1,038,691 of RPTTF for these items; however Finance is reclassifying \$626,816 to Other Funds. These items are enforceable obligations for the ROPS 14-15B period. However, the obligations do not require payment from property tax revenues and the Agency has \$626,816 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$411,875 and the use of Other Funds in the amount of \$626,816.
- Item No. 46 – Reimbursement Agreement between the City and Successor Agency in the amount of \$17,462,276. The Agency requests \$1,366,701 of RPTTF; however Finance is reclassifying \$1,073,985 to Reserve Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$1,073,985 in available Reserve Funds. Therefore, Finance is approving the use of \$292,716 in RPTTF and Reserve Balances in the amount of \$1,073,985.

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 or for the items that have been reclassified, 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 RPTTF distribution for the reporting period is \$5,230,951 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	16,459,606
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 16,709,606
Total RPTTF requested for non-administrative obligations	16,459,606
<u>Denied Items</u>	
Item No. 39	(1,505,129)
Item No. 40	(3,025,181)
Item No. 41	(3,215,774)
Item No. 42	(1,607,887)
Item No. 45	(162,966)
	(9,516,937)
Total RPTTF for non-administrative obligations	6,942,669
<u>Cash Balances - Items reclassified to other funding sources</u>	
Item No. 35	(52,165)
Item No. 36	(105,010)
Item No. 37	(105,010)
Item No. 38	(364,631)
Item No. 46	(1,073,985)
	(1,700,801)
Total RPTTF authorized for non-administrative obligations	\$ 5,241,868
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 5,491,868
ROPS 13-14A prior period adjustment	(260,917)
Total RPTTF approved for distribution	\$ 5,230,951

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.

Ms. Francesca Schuyler

April 8, 2014

Page 4

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. Andy Zageris, Accounting Consultant for the Successor Agency, City of Montebello
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office