



November 6, 2015

Ms. Francesca Schuyler, City Manager
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) (1) (A), the City of Montebello Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 28, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 1 through 4, 7 through 9, 12 and 13 all relate to bond debt incurred by the Agency prior to dissolution. As authorized by HSC section 34177.5 (a), the Agency requested to issue refunding bonds for these line items in order to achieve savings. On June 3, 2015, the Agency's Oversight Board (OB) approved the proposed refunding through OB Resolution No. 15-06, which was further approved by Finance on August 11, 2015. It is our understanding, with exception of Item No. 13, the former bonds were refunded through the issuance of 2015 Tax Allocation Refunding Bonds Series A and B (2015 TABS), on August 31, 2015.

The current ROPS 15-16B requests \$2,776,106 to make the March 2016 debt service payments for Item Nos. 1 through 4, 7 through 9, and 12. However, these items have been refunded and the 2015 TABS debt service schedules support an amount of \$550,938 being due in March 2016. Therefore, with the Agency's concurrence, Finance is reducing the amount of Redevelopment Property Tax Trust (RPTTF) approved for the ROPS 15-16B distribution by \$2,225,168 (\$2,776,106 – 550,938).

- Item Nos. 19 – Oversight Board (OB) attorney fees in the amount of \$10,000. Although legal fees for the OB are enforceable; these types of services requested totaling \$10,000 are considered general administrative cost and have been reclassified.
- Item No. 43 and 44 – Litigation costs totaling \$55,000 in RPTTF Non-Admin is not allowed. It is our understanding these items relate to contesting the validity of the dissolution law. Pursuant to HSC 34171 (d) (1) (F) (i), legal expenses contesting the

validity of dissolution legislation shall only be payable out of the administrative cost allowance. Therefore, the requested amount of \$55,000 is considered an administrative cost and has been reclassified.

- Claimed administrative costs exceed the allowance by \$65,000. HSC section 34171 (b) (2) limits fiscal year 2015-16 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The Los Angeles Auditor-Controller's Office distributed \$125,000 for the July through December 2015 period, thus leaving a balance of \$125,000 available for the January through June 2016 period. Although \$125,000 is claimed for administrative cost, Item Nos. 19, 43, and 44 for attorney fees and litigation costs totaling \$65,000 are considered administrative expense and should be counted toward the cap. Therefore, \$65,000 of excess administrative cost is not allowed.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). The amount of RPTTF approved in the table on the following page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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 \$2,042,310 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	4,867,694
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 4,992,694
RPTTF adjustment to non-administrative obligations	(2,225,168)
Total RPTTF requested for non-administrative obligations	2,642,526
<u>Reclassified Items</u>	
Item No. 19	(10,000)
Item No. 43	(5,000)
Item No. 44	(50,000)
	(65,000)
Total RPTTF authorized for non-administrative obligations	\$ 2,577,526
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Items</u>	
Item No. 19	10,000
Item No. 43	5,000
Item No. 44	50,000
	65,000
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(65,000)
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,702,526
ROPS 14-15B prior period adjustment	(660,216)
Total RPTTF approved for distribution	\$ 2,042,310

Administrative Cost Cap Calculation	
Total RPTTF for 15-16A (July through December 2015)	5,389,888
Total RPTTF for 15-16B (January through June 2016)	2,577,526
Total RPTTF for fiscal year 2015-2016	7,967,414
Administrative cost cap for fiscal year 2015-16 (Greater of 3% of Total RPTTF or \$250,000)	250,000
Administrative allowance for ROPS 15-16A (July through December 2015)	(125,000)
Remaining administrative cost cap for ROPS 15-16B	125,000
ROPS 15-16B administrative obligations after Finance adjustments	(190,000)
Administrative costs in excess of the cap	\$ (65,000)

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<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 January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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 Agency in the RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Nicole Prisakar, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Steve Kwon, Interim Director of Finance, City of Montebello
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County