DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2016

Mr. Donald L. Parker, Finance Director
City of Montclair
5111 Benito Street
Montclair, CA 91763

Dear Mr. Parker:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 1, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Montclair Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 21, 2016. Finance issued a ROPS determination letter on April 1, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 8, 2016.

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 determinations being disputed.

- Item No. 10 – Contract for Legal Services in the total outstanding amount of $4,000 requested for ROPS 16-17. Finance continues to deny this item. Finance previously denied this item because there are no expenditure contracts in place and allocating funds for unknown contingencies is not an allowable use of funds. During the Meet and Confer the Agency provided support that Stradling, Yocca, Carlson & Rauth is the Agency's bond counsel and performs bond counsel activities under their general services contract. However, the Agency did not provide documentation to support the amount requested will be needed or paid out during ROPS 16-17. The Agency also contends that bond counsel has been previously necessary for instances where bond debt services payments or related bond items were denied by Finance. However, Finance has not denied debt service payments for the upcoming ROPS period and, as noted below, has not denied bond related obligations. As such, there is no basis for the estimated $4,000 requested for ROPS 16-17. Therefore, this item is not an enforceable obligation, and is not eligible for Redevelopment Property Tax Trust Funds (RPTTF) on this ROPS.

- Item No. 46 – Bond Indenture Reporting Requirements in the amount of $8,000 requested for ROPS 16-17. Finance no longer denies this item. During our original review, Finance determined that while the Agency provided a letter of engagement and

the most recent invoice for this item, these documents were insufficient to support the requested amount because they indicated a different vendor, and a different service. During the Meet and Confer, the Agency clarified that this item relates to continuing bond disclosure and is the same item that has been previously listed on the ROPS and that the obligation remains unchanged. We note that the payee is and should have always been listed as Van Lant & Fankhanel, LLP. Finance no longer finds any discrepancy between the item listed on the ROPS and the support provided for this item. Therefore, this item is approved for RPTTF on the ROPS 16-17 in the requested total amount of $8,000.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the other obligations listed in the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency

In addition, per Finance's letter dated April 1, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 51 – Montclair Housing Authority-Housing Entity Administrative Cost Allowance in the amount of $450,000 requested for ROPS 16-17 and total outstanding balance of $750,000 is not allowed. Finance continues to deny this item.

  Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions and the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Montclair Housing Authority (Authority) elected to be the housing successor to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance July 26, 2012. Therefore, the Authority is not eligible for the housing successor administrative cost allowance in the amount of $450,000 requested for the ROPS 16-17 period.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. 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 enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is $4,087,400 as summarized in the Approved RPTTF Distribution Table on Page 4 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's

determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-3274.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Marilyn Staats, Deputy City Manager/Executive Director, Economic Development, City of Montclair
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	$ 19,500	$ 4,271,900	$ 4,291,400
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	**144,500**	**4,396,900**	**$ 4,541,400**
Total RPTTF requested	**19,500**	**4,271,900**	**4,291,400**
Denied Items			
Item No. 10	(2,000)	(2,000)	(4,000)
Item No. 51	0	(450,000)	(450,000)
	(2,000)	(452,000)	(454,000)
Total RPTTF authorized	**17,500**	**3,819,900**	**$ 3,837,400**
Total Administrative RPTTF authorized	**125,000**	**125,000**	**$ 250,000**
Total RPTTF approved for distribution	**142,500**	**3,944,900**	**$ 4,087,400**