DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 17, 2017

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

Dear Mr. Parker:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 10, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Montclair Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 26, 2017. Subsequently, the Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 18, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determinations being disputed.

- Item Nos. 1 through 7 – Various Tax Allocation Bonds (TABs), Fiscal Year 2017-18 requested amounts totaling $3,784,433 have been partially reclassified. During Meet and Confer, the Agency requested further clarification be provided. While enforceable obligations, these items do not require payment from Redevelopment Property Tax Trust Fund (RPTTF). During the ROPS 17-18 original review, the Agency notified Finance that $1,529,500 in Other Funds is available from the recent sale of Agency owned property. Therefore, at the Agency's request, the funding source for the following items has been reclassified in the amounts specified below:

Item No.	ROPS 17-18B Total Funding Requested	ROPS 17-18B RPTTF Approved	ROPS 17-18B Other Funds Approved
1	$ 33,820	$ 33,304	$ 516
2	1,585,050	1,560,901	24,149
3	303,200	298,581	4,619
4	367,750	362,147	5,603
5	765,710	0	765,710
6	573,103	0	573,103
7	155,800	0	155,800
Total	$ 3,784,433	$ 2,254,933	$ 1,529,500

- Item Nos. 12, 14, and 15 – Various bond-related service fees totaling the requested amount of $44,500. Finance previously partially denied these items based on past invoice amounts. During the Meet and Confer, the Agency further explained the need for amounts above previous amounts paid due to the potential increase in these fees. Therefore, Finance has made the following determinations:

    - Item No. 12 – Bond trustee fees in the amount of $20,000. Finance no longer partially denies this item. Although the Agency paid a total of $16,438 in the previous period for these fees, further review of past invoices illustrates these fees have the potential to increase over time. Therefore, the requested amount of $20,000 is approved in RPTTF funding.

    - Item No. 14 – Bond continuing disclosure service fees in the amount of $12,000. Finance continues to partially approve this item. According to the contract between the Agency and BLX Group LLC (BLX) dated September 24, 2014, the Agency can be charged up to $11,000 a year for these reporting services. Therefore, Finance is approving $11,000 in RPTTF funding. As such, $1,000 ($12,000 - $11,000) is not eligible for funding for the ROPS 17-18 period.

    - Item No. 15 – Bond arbitrage rebate calculation service fees in the amount of $12,500. Finance no longer partially denies this item. According to the contract between the Agency and BLX, the Agency can be charged a maximum of $30,000 for these fees along with the bond continuing disclosure service fees listed as Item No. 14. Since the Agency can be charged up to $11,000 for the bond continuing disclosure service fees, the remaining amount of up to $19,000 ($30,000 - $11,000) can be charged for the bond arbitrage rebate calculation service fees. Therefore, the requested amount of $12,500 is approved in RPTTF funding.

- Finance previously stated the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3); however, the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. The Agency disputes this statement as the requested amount is lower than previous ROPS requested amounts. While Finance commends the Agency's efforts to lower their administrative costs, the current amount requested still appears excessive. Therefore, Finance continues to encourage the OB to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

In addition, per Finance's letter dated April 10, 2017, we continue to make the following determination not contested by the Agency during the Meet and Confer:

- No. 51 – Montclair Housing Authority-Housing Entity Administrative Cost Allowance total requested outstanding balance in the amount 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. However, in this case 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 and the total requested amount of $600,000 from RPTTF is not allowed.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,521,433 as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 17-18 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 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request.
HSC section 34177 (l) (1) (E) requires the balances be used prior to requesting RPTTF.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

This is Finance's final determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

http://dof.ca.gov/Programs/Redevelopment/ROPS/

Finance's determination is effective for the ROPS 17-18 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 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Anna Kyumba, Supervisor, or Veronica Zalvidea, Lead Analyst, at (916) 322-2985.

Sincerely,

for

JUSTYN HOWARD
Program Budget Manager

cc: Ms. Marilyn Staats, Deputy City Manager/Exec. Dir. Econ. Dev., City of Montclair
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution
For the period of July 2017 through June 2018

	ROPS A Period	ROPS B Period	ROPS 17-18 Total
RPTTF Requested	$ 17,500	$ 4,419,433	$ 4,436,933
Administrative RPTTF Requested	115,000	100,000	215,000
Total RPTTF Requested	**132,500**	**4,519,433**	**4,651,933**
RPTTF Requested	17,500	4,419,433	4,436,933
Adjustment			
Item No. 1	0	(516)	(516)
Item No. 2	0	(24,149)	(24,149)
Item No. 3	0	(4,619)	(4,619)
Item No. 4	0	(5,603)	(5,603)
Item No. 5	0	(765,710)	(765,710)
Item No. 6	0	(573,103)	(573,103)
Item No. 7	0	(155,800)	(155,800)
Item No. 14	0	(1,000)	(1,000)
Item No. 51	0	(600,000)	(600,000)
	0	(2,130,500)	(2,130,500)
RPTTF Authorized	**17,500**	**2,288,933**	**2,306,433**
Administrative RPTTF Authorized	**115,000**	**100,000**	**215,000**
Total RPTTF Approved for Distribution	**$ 132,500**	**$ 2,388,933**	**$ 2,521,433**