



December 18, 2012

Mr. Mark Alvarado, Administrative Services Director
City of Monrovia
415 S. Ivy Ave
Monrovia, CA 91016

Dear Mr. Alvarado:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 3, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Monrovia Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 22, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 3, 2012. 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 Wednesday, October 24, 2012.

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 item being disputed.

Item 16 – June 1, 2012 distribution shortfall in the amount of \$946,707. Finance denied the item as an enforceable obligation as it is not evident that the item is tied to a specific enforceable obligation or obligations, but merely a plug to account for the difference between what was approved by Finance and what was actually received. The Agency states the item is an enforceable obligation because the Agency and the City of Monrovia (City) entered into a cooperative agreement on April 3, 2012 that allows for the loan/advance of City funds to the Agency for a shortfall of Redevelopment Property Tax Trust Fund (RPTTF) for administrative costs and enforceable obligations. Although Finance agrees a loan from the City to the Agency is an enforceable obligation under HSC section 34173 (h), Finance continues to deny the item until such a time the Agency has received and expended the loan proceeds for enforceable obligations. At the time of our review, the Agency has not received and used the loan from the City. Therefore, this line item is currently not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 3, 2012, the following items not disputed by the Agency continue to be denied:

- Items No. 49 and 50 - Pass through payments totaling \$323,112. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass through payments starting with the July through December 2012 ROPS. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by \$38,960. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 for administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs for the July through December 2012 period, thus leaving \$250,000 available for the January through June 2013 period. Although \$136,116 is claimed for administrative costs, item numbers 17 and 32 totaling \$152,844 are considered administrative expenses and should be counted toward the cap. Therefore, \$38,960 of excess administrative cost is not allowed.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$5,679,415 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 6,852,078
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 16	946,707
Item 17 *	152,544
Item 32 *	300
Item 49	275,095
Item 50	48,017
Total approved RPTTF for enforceable obligations	<u>\$ 5,429,415</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>250,000</u>
Total RPTTF approved:	\$ 5,679,415

* : Reclassified as administrative cost.

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 1,967,552
Total RPTTF for the period January through June 2013	5,429,415
Total RPTTF for fiscal year 2012-13:	\$ 7,396,967
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 250,000

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



Steve Szalay
Local Government Consultant

cc: Ms. Buffy Bullis, Finance Division Manger, City of Monrovia
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office