DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
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October 20, 2012

Ms. Francesca Schuyler, Director of Finance
City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640-3932

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 III) to the California Department of Finance (Finance) on September 5, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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 obligation(s):

- Item No. 14 – Reimbursement Agreement with the City in the amount of $3.1 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

- Item No. 15 – Low Mod Housing Deferral Repayment in the amount of $6.5 million. HSC section 34176 (e) (6) (B) states that loan or deferral owed to the Low and Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. Therefore, this line item is not enforceable obligation and will not be eligible for RPTTF funding.

- Claimed administrative costs exceed the allowance by $304,564. 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 distributed $250,000 of administrative costs for the July through December 2012 period, thus no administrative cost is available for distribution on the January through June 2013 period. Although $259,564 is claimed for administrative costs, Item No. 19 and 24 totaling $45,000 are considered administrative expenses and should be counted toward the cap. Therefore, $304,564 of excess administrative cost is not allowed.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: $3,673,072 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	5,586,765
Less: Six-month total for item(s) denied or reclassified as administrative cost		
Item 14		1,718,693
Item 15		150,000
Item 19*		25,000
Item 24*		20,000
Total approved RPTTF for enforceable obligations	$	3,673,072
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		0
Total RPTTF approved:	**$**	**3,673,072**

* Reclassified as administrative cost

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	3,319,323
Total RPTTF for the period January through June 2013		3,673,072
Total RPTTF for fiscal year 2012-13:	**$**	**6,992,395**
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		250,000
Allowable RPTTF distribution for administrative cost for ROPS III:		**$0**

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Huntley, Director of Planning, City of Montebello
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller