



December 18, 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 20, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 20, 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 November 13, 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 specific item being disputed.

- Item No. 14 – Reimbursement Agreement with the City in the amount of \$3.1 million. Finance denied the item as 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. The Agency contends the item is an enforceable obligation because it is a written agreement issued to secure an "indebtedness obligation," as such term is defined at HSC Section 34171 (e). Under the 1990 Reimbursement Agreements, and all subsequent versions thereof, the City's lease payment obligations – and thus the stream of revenue flowing to the Certificates of Participation (COPs) – were paid from a portion of the Agency's tax increment revenues stemming from the Project Areas. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Although the Reimbursement Agreement is solely for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations. The Reimbursement Agreement was approved on September 5, 2000; the Official Statement and Purchase Agreement were dated October 12, 2000. Finance has not issued a Finding of Completion to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is currently not an enforceable obligation.

- 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 at this time.
- Item No. 19 and 24 totaling \$45,000 are considered administrative expenses and should be counted toward the cap. Finance no longer reclassifies the items as administrative costs. The Agency contends the items are enforceable obligations because they are associated with litigation costs incurred in the case entitled Sevacherian, et al, v. Community Redevelopment Agency of the City of Montebello (Los Angeles County Superior Court Case No. BC437787), and maintenance costs for properties owned by the Agency. Finance agrees the following categories are specifically excluded from the administrative cap as defined by HSC section 34171 (b):
  - Any litigation expenses related to assets or obligations.
  - Settlements and judgments.
  - The costs of maintaining assets prior to disposition.
  - Employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction, shall be considered project-specific costs.

Therefore, Item 19 is litigation expenses related to assets or obligations and Item 24 is the cost of maintaining assets prior to disposition and are therefore enforceable obligations.

In addition, per Finance's ROPS letter dated October 20, 2012, the following items not disputed by the Agency continue to be denied:

- Claimed administrative costs exceed the allowance by \$259,564. 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. Therefore, \$259,564 of excess administrative cost is not allowed.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$3,718,072 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
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
Total approved RPTTF for enforceable obligations	\$ 3,718,072
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	0
<b>Total RPTTF approved:</b>	<b>\$ 3,718,072</b>

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 3,319,323
Total RPTTF for the period January through June 2013	3,718,072
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 7,037,395</b>
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
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$0</b>

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: On following page

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