DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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December 18, 2012

Ms. Donna Ramirez
Acting Economic Development Specialist
City of Monterey Park
320 West Newmark Ave
Monterey Park, CA 91754

Dear Ms. Ramirez:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 11, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Monterey Park Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 29 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 11, 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 19, 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 items being disputed.

- Item No. 15 – Pension Override to the City of Monterey Park's Retirement Fund in the amount of $32 million. It is our understanding this line item relates to a pension override transfer passed by City of Monterey Park (City) voters in 1946 and 1952. City voters approved two initiatives which required the City Council to (1) have employees enrolled in a pension system (CalPERS) and (2) collect taxes that pay for all costs of the City's pension system. The Agency indicated that during the entire existence of the former redevelopment agency (RDA), the former RDA never made a payment of tax increment to assist the City in payments that were made to CalPERS. Notwithstanding that history, the Agency asserts that the former RDA should have provided the city funding and desires to pay the city the full amount it allegedly owes as an enforceable obligation. Without weighing in on the factual correctness of the statements made by the Agency regarding whether the former RDA did or did not make payments, or was or was not supposed to pay into the City pension fund, Finance must continue to deny the item. HSC section 34171 (d) defines an enforceable obligation and this item does not qualify. However, if the Agency can provide additional documentation showing that the item was an advance of funds from the City to the former RDA, the item may be an enforceable obligation after receiving a Finding of Completion. 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.

- Administrative costs claimed exceed the allowance by $105,000. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. As a result, the Agency is eligible for $250,000 in administrative expenses. The Los Angeles Auditor Controller's Office distributed $125,000 of administrative costs for the July through December 2012 period, thus leaving a balance of $125,000 available for the January through June 2013 period. Although $125,000 is claimed for administrative cost, Items 2, 3, 4, and 23 totaling $105,000 are considered administrative expenses and should be counted towards the cap.

  Finance is no longer reclassifying Item 22 as an administrative cost, as it is specifically related to the cost of maintaining property prior to disposition, which is specifically excluded from the administrative cap per HSC section 34171 (b).

In addition, per Finance's determination letter dated October 11, 2012, the following items not being disputed by the Agency continue to be denied:

- Item No. 25 through 27 – Affordable housing monitoring and administrative cost totaling $1.5 million. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Monterey Park's housing authority assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding from the Low and Moderate Income Housing Fund.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: $1,246,697 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013			
Total RPTTF funding requested for obligations	$	1,804,697	
Less: Six-month total for item(s) denied or reclassified as administrative cost			
Item 2		30,000	*
Item 3		30,000	*
Item 4		30,000	*
Item 15		490,000	
Item 23		15,000	*
Item 25		18,000	
Item 26		50,000	
Item 27		20,000	
Total approved RPTTF for enforceable obligations	$	1,121,697	
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		125,000	
Total RPTTF approved:	$	1,246,697	

* Reclassified as administrative cost

Administrative Cost Calculation		
Total RPTTF for the period July through December 2012	$	2,958,007
Total RPTTF for the period January through June 2013		1,121,697
Total RPTTF for fiscal year 2012-13:	**$**	**4,079,704**
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or $250,000)		250,000
Administrative allowance for the period of July through December 2012		125,000
Allowable RPTTF distribution for administrative cost for ROPS III:	**$**	**125,000**

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 Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Annie Yaung, Financial Services Manager, City of Monterey Park
Ms. Kristina Burns, Manager, Los Angeles County Auditor-Controller's Office
California State Controller's Office