



May 17, 2013

Ms. Buffy J. Bullis, Finance Division Manager  
City of Monrovia  
415 S. Ivy Ave  
Monrovia, CA 91016

Dear Ms. Bullis:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Monrovia Successor Agency (Agency) submitted ROPS 13-14A to Finance for the period of July through December 2013. Finance issued its determination related to those enforceable obligations on April 14, 2013. 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 April 23, 2013.

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. 70 – Advance for January through June 2012 funding shortfall in the amount of \$969,469. Finance initially denied this item because it was not evident that this item was 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 contends the shortfall loan was made in accordance with a cooperation agreement between the City and the Agency, in which the City would fund other expenses for the Agency.

Pursuant to HSC section 34173 (h), the City may loan or grant funds to the Agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion and an enforceable obligation shall be deemed to be created for the repayment of the loan. However, the receipt and use of these funds shall be reflected on a ROPS or administrative budget and is subject to approval of the oversight board. A loan agreement between the City and Agency for the \$969,469 loan specifying the use of the funds on projects and repayment terms has not been executed and approved by the oversight board. Although the Agency provided a schedule listing the ROPS items the City's loan funded totaling \$969,469, we were not able to trace items funded to a loan agreement. Therefore, this item is not an enforceable obligation at this time and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

- Item Nos. 76 and 77 totaling \$31,537 were reclassified to administrative costs. The Agency contends the items should not have been reclassified and are enforceable obligations related to the maintenance and upkeep of Agency owned property until disposal pursuant to HSC Section 34171. Finance agrees that these costs are enforceable obligations and are eligible for RPTTF funding on the ROPS. Therefore, total approved administrative cost allowance has been reduced by the same amount.
- Prior period adjustment in the amount of \$152,544. The Agency contends the County-Auditor Controller (CAC) adjustment was miscalculated and the adjustment should have been zero as reported by the Agency. The CAC confirmed the Agency's claim and requested Finance to remove the adjustment which was miscalculated due to insufficient information provided by the Agency. Finance has revised the prior period adjustment amount to zero.

In addition, per Finance's ROPS letter dated April 14, 2013, the following item continues to be denied and was not contested by the Agency:

- Item Nos. 32 and 78 totaling \$4,300 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to \$142,328, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. 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 July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 denied on this ROPS or a preceding ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$8,718,725 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 9,550,166
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 32*	300
Item 70	969,469
Item 78*	4,000
Total approved RPTTF for enforceable obligations	<u>\$ 8,576,397</u>
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	<u>142,328</u>
Minus: ROPS II prior period adjustment	<u>-</u>
<b>Total RPTTF approved for distribution:</b>	<b>\$ 8,718,725</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the

county auditor-controller (CAC) and the State Controller. The proposed CAC adjustment has been rescinded by the CAC. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Cindie Lor, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Mr. Mark Alvarado, Administrative Services Director, City of Monrovia  
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller  
California State Controller's Office