DEPARTMENT OF FINANCE

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May 17, 2013

Mr. Donald Parker, Finance Director
City of Montclair
5111 Benito Street
Montclair, CA 91763

Dear Mr. Parker:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 13, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Montclair Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 28, 2013 for the period of July through December 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 22, 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. 10 – Legal services in the amount of $40,000. Finance no longer reclassifies this item as an administrative expense. During the Meet and Confer, the Agency clarified the legal services were for bond counsel related to bond issuance. Therefore, this item is eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.

- Item Nos. 13, 16, and 19 – Legal and Consulting Services totaling $80,000. Finance no longer denies these items. Item Nos. 13 and 19, although enforceable, the type of services requested are general legal services and are not related to specific ongoing litigation. As such, these types of services are considered general administrative expenses and have been reclassified. Similarly, Item No. 16 is reclassified because the type of service requested is considered a general administrative service.

  As a result, claimed administrative costs exceed the allowance by $76,289. HSC section 34171 (b) limits fiscal year 2013-2014 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. Although, $291,289 is claimed for administrative cost, Item Nos. 13, 16 and 19 totaling $35,000 are considered general administrative expenses and should be counted toward the cap. Therefore, $76,289 of excess administrative cost is not allowed.

- Item No. 23 – Professional Service Costs in the amount of $5,000. Finance no longer denies this item. Finance originally denied this item because the expense appeared to be related to the City of Montclair's Housing Agency's administrative costs. During the Meet and Confer, the Agency provided clarification the cost associated with this item is for maintenance of Agency assets prior to disposition. Therefore, this item is eligible for RPTTF funding on this ROPS.

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: $2,935,783 as summarized below:

Approved RPTTF Distribution Amount		
For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	2,720,783
Less: Six-month total for items denied or reclassified as administrative cost		
Item 13*		5,000
Item 16*		25,000
Item 19*		5,000
Total approved RPTTF for enforceable obligations	$	2,685,783
Plus: Allowable RPTTF distribution for 13-14A administrative cost		250,000
Minus: ROPS II prior period adjustment		-
Total RPTTF approved:	**$**	**2,935,783**

*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 amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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 III Forms by Successor Agency/

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

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Marilyn J. Staats, Director of Redevelopment/Public Works, City of Montclair
Ms. Vanessa Doyle, Auditor Controller, San Bernardino County
California State Controller's Office