DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 8, 2014

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

Dear Mr. Parker:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Montclair Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 obligations for the reasons specified:

- Item No. 39 – Contract for Appraisal Services in the amount of $12,000. The Agency was unable to provide sufficient documentation to support the amounts claimed. The Agency provided the Integra Ellis Real Estate Appraisal proposal. However, the maximum value allowable in this proposal is $9,800, and the Agency has already expended $11,800. To the extent the Agency can provide suitable documentation, such as an amended contract or vendor invoices, to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funding on future ROPS.

- Item Nos. 45 and 47 – Long-Range Property Management Plan (LRPMP) preparation costs totaling $150,662 are not enforceable obligations. The LRPMP costs consist of the following:

    - 90 percent of the Deputy City Manager's salary and benefit costs associated with redevelopment agency (RDA) dissolution activities incurred during the period July 1, 2013 through November 30, 2013, in the amount of $71,319.

    - 50 percent of the Deputy City Manager's and 25 percent of Finance Director's salary and benefit costs associated with RDA dissolution activities expected to incur during the ROPS 14-15A period, in the amount of $79,343.

According to the Agency, these costs are exclusively associated with the LRPMP preparation and administration. However, the Agency was unable to provide sufficient documentation to support how the time and costs were allocated.

Additionally, the Agency has spent $11,800 for appraisal services associated with LRPMP preparation in the ROPS period July through December 2013. To the extent the Agency can provide suitable documentation, such as the allocation worksheets to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.

- Item No. 50 – Housing Entity Administrative Cost Allowance in the amount of $750,000 payable from RPTTF funding. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Montclair (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law. Therefore, $750,000 of housing entity administrative allowance is not allowed.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $113,325 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		389,210
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**514,210**
Total RPTTF requested for non-administrative obligations		**389,210**
Denied Items		
Item No. 39		(12,000)
Item No. 45		(79,343)
Item No. 47		(71,319)
Item No. 50		(150,000)
		(312,662)
Total RPTTF authorized for non-administrative obligations	**$**	**76,548**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**201,548**
ROPS 13-14A prior period adjustment		(88,223)
Total RPTTF approved for distribution	**$**	**113,325**

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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 HSC section 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 Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Marilyn Staats, Deputy City Manager/Exec. Dir. Econ. Dev., City of Montclair
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office