



May 18, 2012

Michael A. Huntley, Director of Planning and Community Development  
City of Montebello  
1600 West Beverly Boulevard  
Montebello, CA 90640-3932

Dear Mr. Huntley:

Pursuant to Health and Safety Code (HSC) section 34177 (I) (2) (C), the Montebello Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 3, 2012 for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS:

- Project Montebello Hills, Page 1, items 9 and 12; Project South Montebello Industrial, page 3, items 4 and 6; and Project Montebello Economic Revitalization, page 5, item 5 – Certificates of Participation (COP) and advances totaling \$10.5 million. No documentation was provided that pledge tax increment as the source of funding for the COP. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations.
- Project Montebello Hills, page 1, item 10 – Montebello Hills Housing Deferral in the amount of \$6.5 million for 20 percent housing set aside. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.
- Administrative cost claimed exceeds allowance by \$172,202. HSC section 34171 (b) limits fiscal year 2011-12 administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Five percent of the property tax allocated is \$330,521; therefore, \$172,202 of the claimed \$502,723 is not an enforceable obligation. The following line items were considered administrative costs:

Page	Item No.	Project Name	Amount
1	13	Administrative Transaction Fee	\$197,563
1	17	Attorney's Fees	75,000
1	18	Arbitrage Compliance Specialist	625
3	7	Administrative Transaction Fee	77,783
3	11	Attorney's Fees	45,000
3	12	Arbitrage Compliance Specialist	375
5	6	Administrative Transaction Fee	76,127
5	10	Attorney's Fees	30,000
5	11	Arbitrage Compliance Specialist	250
		<b>Total:</b>	<b>\$502,723</b>

July through December 2012 ROPS:

- Project Montebello Hills, Page 1, items 9 and 12; Project South Montebello Industrial, page 3, item 4; and Project Montebello Economic Revitalization, page 5, item 5 - Certificates of Participation and advances totaling \$3.4 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations.
- Administrative cost claimed exceeds allowance by \$381,425. 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. Three percent of the property tax allocated is \$99,580; therefore, the administrative cost allowance is \$250,000. The following line items were considered administrative costs:

Page	Item No.	Project Name	Amount
1	13	Administrative Transaction Fee	\$163,500
1	14	Pension Obligation	4,782
1	17	Attorney's Fees	142,835
2	5	Audit Fees	15,000
3	7	Administrative Transaction Fee	55,500
3	8	Pension Obligation	2,869
3	11	Attorney's Fees	85,701
3	12	Arbitrage Compliance Specialist	375
4	3	Audit Fees	9,000
5	6	Administrative Transaction Fee	32,400
5	7	Pension Obligation	1,913
5	10	Attorney's Fees	107,500
5	11	Compliance Specialist	4,050
6	10	Audit Fees	6,000
		<b>Total:</b>	<b>\$631,425</b>

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As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

[Redevelopment\\_Administration@dof.ca.gov](mailto:Redevelopment_Administration@dof.ca.gov)

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

Please direct inquiries to Evelyn Suess, Supervisor or Michael Barr, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL  
Program Budget Manager

cc: Ms. Kristina Burns, Program Specialist III, Los Angeles County Auditor Controller