



April 26, 2012

Marilyn J. Staats, Redevelopment Director
City of Montclair
5111 Benito Street
Montclair, CA 91763

Dear Ms. Staats:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Montclair Successor Agency (agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 16, 2012 for the period January through June 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:

- Page 2, items 1 and 2; page 1, items 19 and 20 total \$3 million for contracts signed after June 27, 2011. HSC section 34163(b) prohibits new contracts after June 27, 2011.
- Page 2, items 18 and 37 total \$68,738 for loans to the City. HSC section 34171 (d) (2) state agreements between the City and the former RDA are not EOs.
- Unallowed Administrative costs total \$791,487. HSC section 34171 (b) limits administrative costs 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 \$593,019. Therefore, \$791,487 of the claimed \$1,384,506 in administrative costs is not an EO. The following items are considered to be administrative costs:
 - Pg 1 – Items 9,10,14,23,24,25,26,27,28,29,30,31,32,33,34,36,38,39,40,41
 - Pg 2 – Items 3, 8, 9

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the 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.

Please direct inquiries to Jennifer Whitaker or Robert Scott at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Larry Walker, San Bernardino County Auditor-Controller