



May 17, 2013

Ms. Diana De Anda, Finance Director
City of Loma Linda RDA Successor Agency
25541 Barton Road
Loma Linda, CA 92354

Dear Ms. De Anda:

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 18, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Loma Linda Successor Agency (Agency) submitted a ROPS 13-14A to the Finance on March 4, 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 29, 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. 15 – City of Loma Linda Loan totaling \$11,388,569. Finance continues to deny this item. Per HSC section 34171 (d) (2), loan agreements entered into between the redevelopment agency (RDA) and the city, county, or city and county that created it, within two years of the date of creation of the RDA, may be deemed to be enforceable obligations. The loan agreement was entered into in 1979 within the first two years of the date of creation; however, various advances or loans were made from 1999 through 2010, which is after the first two years of creation. Furthermore, the agreement does not specify dollar amounts to be loaned or advanced or specific repayment terms. Finance has not issued a Finding of Completion (FOC) to the Agency; therefore, the provisions of HSC section 34171 apply. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, this item is currently not an enforceable obligation.

Upon receiving a FOC from Finance, and after the oversight board makes a finding the loans were for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 16 – City of Loma Linda Lease Revenue Refunding Bonds in the amount of \$1,047,900 continues to be denied. This item was originally denied as the Official Statement states the bonds are payable from revenues consisting primarily of lease

payments to be made by the City of Loma Linda (City) to the Loma Linda Public Financing Authority. There is no requirement for the Agency to fund this bond through tax increment. The Agency contends the Implementation Agreement entered into at the time of the 1994 Certificates of Participation is sufficient to obligate the Agency to make payment. However, because this agreement was not entered into at the time of issuance, it does not qualify as an exception identified in HSC section 34171(d) (2). Therefore, this item is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS; however, it is approved for funding from other funding sources. Specifically, the lease payments made by the City.

- Item No. 25 – City of Loma Linda Loans totaling \$1,143,595. Finance continues to partially deny this item. The Agency contends the amount loaned includes \$30,620 for costs associated with the Due Diligence Reviews (DDR) and \$1,112,975 for the July True Up payment. With the additional support provided by the Agency regarding the requested amount of \$30,620, Finance reverses the denial for this amount. However, the amount requested for the July True Up payment for \$1,112,975 continues to be denied. According to the Other Funds and Accounts DDR submitted to Finance on January 15, 2013, this amount was already paid by the Agency and included additional funds to be swept for this review. Therefore, it was unnecessary for the Agency to obtain a city loan. In addition, requesting payment for the loan through ROPS 13-14A would create a duplicate payment. The Agency requested payment of \$50,752. Finance will allow payment in the amount of \$30,620 to be paid to the City of Loma Linda for the DDR invoices as submitted to Finance.

Upon receiving a FOC from Finance, and after the oversight board makes a finding the loans were for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

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. This determination applies only to items where funding was requested for the six month period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,931,956 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 2,572,042
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 15	240,000
Item 16*	174,650
Item 25	20,132
Total approved RPTTF for enforceable obligations	\$ 2,137,260
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(330,304)
Total RPTTF approved for distribution:	\$ 1,931,956

*Reclassified as other funding source

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 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 Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Diane Hadland, DHA Consulting
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office