



December 17, 2013

Ms. Diana De Anda, Finance Director
City of Loma Linda
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) letter dated November 14, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Loma Linda Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to Finance on October 1, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 14, 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 November 27, 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. 5 – Anixter Participation Agreement (Agreement) in the amount of \$186,954. Finance continues to partially deny this item. Per section 202 of the Agreement, the Agency agreed to pay an amount not to exceed \$1,500,000. During our original review, the Agency provided documentation supporting that a total of \$1,361,320 has been paid. The remaining balance is \$138,680.

Our review indicates that the Agency received \$160,000 for this item for the period of July through December 2013 (ROPS 13-14A) but only paid \$48,275 during the period. The difference between the amount distributed for this item and the amount expended is \$111,725. Finance is approving payment of \$111,725 from those reserve funds. The Agency is approved to receive the remaining unfunded amount of \$26,955 (\$138,680 - \$111,725) in RPTTF.

- Item No. 15 – City Loan totaling \$19,580,000. Finance continues to deny this item. As previously determined, 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. This 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. Additionally, Finance denied this obligation as an inclusion to the ROPS for the period July through December 2013, later upheld through the Meet and Confer process in the letter dated May 17, 2013. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

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 this item to be enforceable in future ROPS periods.

- Item No. 16 – City Revenue Refunding Bonds in the amount of \$1,047,900. Finance continues to deny this item. As previously determined, this bond is secured by 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. However, this item is approved for funding from Other Funds; specifically, the lease payments made by the City. Additionally, Finance denied this obligation as an inclusion to the ROPS for the period July through December 2013, and later upheld through the Meet and Confer process in our letter dated May 17, 2013. Therefore, this item is not eligible for RPTTF funding.
- Item No. 25 – City Loan in the amount of \$6,492. The Agency states this loan is for excess administrative costs related to Item No. 13 for the January through June 2012 (ROPS III) period. Pursuant to the Agency's self-reported prior period adjustment form for the July through December 2012 (ROPS II) and ROPS III periods, the Agency expended the entirety of its \$250,000 administrative allowance for the fiscal year. This included the \$6,492 loaned by the City. However, the Agency did not provide adequate documentation to support the amount was received and paid during the period or that the Oversight Board resolution approving the action was submitted to Finance for approval. Therefore, this item cannot be approved for RPTTF funding on this ROPS.

In addition, per Finance's letter dated November 13, 2013, we continue to make an adjustment that was not contested by the Agency during the Meet and Confer. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency self-reported a balance of \$25,123 in Other Funds available to fund ROPS 13-14B obligations. Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

- Item No. 27 – Administrative Costs in the amount of \$125,000. The Agency requests \$125,000 of administrative allowance; however Finance is reclassifying \$25,123 to Other Funds. This item was deemed to be an enforceable obligation for the ROPS 13-14B

period. However, the obligation does not require payment from property tax revenues and the Agency has \$25,123 in Other Funds. Therefore, Finance is approving administrative allowance in the amount of \$99,877, and the use of Other Funds in the amount of \$25,123, totaling \$125,000 for Item No. 27.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 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 below table 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 or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,906,091 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	3,005,303
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,130,303
Total RPTTF requested for non-administrative obligations	3,005,303
<u>Denied Items</u>	
Item No. 5	(159,999)
Item No. 15	(819,574)
Item No. 16	(174,650)
Item No. 25	(6,492)
	<u>(1,160,715)</u>
Total RPTTF approved for non-administrative obligations	1,844,588
Total RPTTF requested for administrative obligations	125,000
<u>Items Reclassified to Other</u>	
Item No. 27	(25,123)
Total RPTTF for administrative obligations	99,877
Total RPTTF approved for obligations	1,944,465
ROPS III prior period adjustment	(38,374)
Total RPTTF approved for distribution	\$ 1,906,091

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay

approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14B_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Diane Hadland, DHA Consulting, City of Loma Linda
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office