



December 17, 2014

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 4, 2014. 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 14-15B) to Finance on September 25, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 4, 2014. 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 17, 2014.

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 Nos. 15, 28 through 32, and 41 – City of Loma Linda (City) Loans totaling \$24,673,573 are denied. Finance continues to deny these items. During the Meet and Confer process, the Agency continued to object to Finance's determination; however, no new information was provided. Pursuant to 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. Therefore, these line items are not enforceable obligations and are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.

Upon receiving an 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 Nos. 16, 33 through 35, 37, 38, and 44 – City Lease Revenue Refunding Bonds totaling \$2,415,991 are not eligible for RPTTF funding. Finance continues to deny these items. During the Meet and Confer process, the Agency continued to object to Finance's determination; however, no new information was provided. As previously determined, this bond is secured by revenues consisting primarily of lease payments to be made by the 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. Therefore, these items are not eligible for RPTTF funding.
- Item No. 39 – Housing Entity Administrative Cost Allowance in the amount of \$750,000. Finance continues to deny this item. During the Meet and Confer process, the Agency continued to object to Finance's determination; however, no new information was provided. Finance denied this item because pursuant to HSC section 34171 (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 (RDA) elected to not assume the housing functions. Because the housing entity to the former RDA of the City of Loma Linda (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 (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is included in the City's CAFR, which identifies the Authority as a component unit of the City and states that the City is financially accountable for the component units.

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$750,000 of housing entity administrative allowance.

- Item Nos. 42 and 43 – San Bernardino County Superintendent of Schools Pass-Through Payments totaling \$10,592. Finance continues to deny these items. The Agency previously provided a report prepared by Public Economics, Inc. to support the requested payments of underfunded pass-throughs for fiscal years 2008-9 through 2010-11 based on a Los Angeles Unified School District court decision. In addition, the Agency provided letters from the San Bernardino Community College District (SBCCD), the San Bernardino County Superintendent of Schools (SBCSS) that requested payments of underfunded pass-throughs for fiscal years 2008-09 through 2010-11 based on a Los Angeles Unified School District (LAUSD) court decision. However, Finance denied these items because the Agency is not named as a party to the court decision and has not shown that the requested payments are binding. During the Meet and Confer process, the Agency contended the demand letters from Public Economics, Inc., on behalf of SBCCD and SBCSS for underfunded AB 1290 pass throughs are enforceable obligations. However, as previously stated, these demands are based on a LAUSD court decision and the Agency was not a named party. Therefore, these items are not enforceable obligations and are not eligible for RPTTF funding.

In addition, per Finance's letter dated November 4, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 27 – Administrative Costs in the amount of \$125,000. The Agency requested administrative costs from the wrong funding source (Non-Admin RPTTF). Therefore, with the Agency's consent, these general administrative costs have been reclassified to Admin RPTTF.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency.

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. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for the items denied in whole or in part or for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,695,866 as summarized in the Approved RPTTF Distribution Table on the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	9,172,377
Total RPTTF requested for administrative obligations	0
Total RPTTF requested for obligations on ROPS	\$ 9,172,377
Total RPTTF requested for non-administrative obligations	9,172,377
<u>Denied Items</u>	
Item No. 15	(718,378)
Item No. 16	(174,650)
Item No. 28	(754,154)
Item No. 29	(723,290)
Item No. 30	(722,182)
Item No. 31	(721,075)
Item No. 32	(720,174)
Item No. 33	(174,650)
Item No. 34	(174,650)
Item No. 35	(174,650)
Item No. 37	(174,650)
Item No. 38	(174,650)
Item No. 39	(150,000)
Item No. 41	(719,276)
Item No. 42	(1,386)
Item No. 43	(9,206)
Item No. 44	(174,650)
	(6,461,671)
<u>Reclassified Item</u>	
Item No. 27	(125,000)
	(125,000)
Total RPTTF authorized for non-administrative obligations	\$ 2,585,706
Total RPTTF requested for administrative obligations	0
<u>Reclassified Item</u>	
Item No. 27	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,710,706
ROPS 13-14B prior period adjustment	(14,840)
Total RPTTF approved for distribution	\$ 2,695,866

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The beginning balances for Reserve Balances and Other Funds, could not be supported by the Agency's financial records. As a result, Finance will continue to work with the Agency after the ROPS 14-15B review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16A.

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting 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