



October 17, 2015

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

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Loma Linda Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 10, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 39 – Housing Administrative Costs Allowance in the amount of \$750,000 is not allowed. Finance continues to deny this item. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency (RDA), all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the Loma Linda Housing Authority assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, this item is not an enforceable obligation and the requested \$150,000 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No. 40 – Oversight Board Counsel Legal services in the amount of \$2,500 have been reclassified to the Administrative Cost Allowance (ACA). Pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceedings, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable from the ACA. This item relates to costs incurred by the Agency in challenging Finance's determination related to ROPS Item No. 15, which has been settled. Therefore, this item is considered to be a general administrative cost, and has been reclassified to ACA.
- Item No. 45 – Litigation costs totaling \$157,789, payable to the City of Loma Linda (City) are not allowed. It is our understanding the City advanced \$157,789 to the Agency for litigation services provided by Rutan & Tucker, LLC. HSC section 34173 (h) (1) allows

the City to loan funds to agencies for administrative costs or enforceable obligations, but only to the extent the agency receives an insufficient RPTTF distribution.

The San Bernardino County-Auditor Controller distribution reports indicate the Agency received sufficient distributions to fund approved enforceable obligations during the ROPS I through ROPS 15-16A periods. In addition, the Agency failed to submit an Oversight Board resolution pertaining to these litigation costs to Finance for review and approval, nor were the litigation costs reflected on the Agency's ROPS.

Finally, pursuant to HSC section 34171 (d) (1) (F) (i), legal expenses related to civil actions, including writ proceedings, contesting the validity of the dissolution law, or challenging acts taken pursuant to the dissolution law shall only be payable from the ACA. Therefore, this item is not an enforceable obligation and is not eligible for RPTTF funding.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). 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 Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,213,258 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	9,465,071
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 9,590,071
Total RPTTF requested for non-administrative obligations	9,465,071
<u>Denied Items</u>	
Item No. 39	(150,000)
Item No. 45	(157,789)
	(307,789)
<u>Reclassified Item</u>	
Item No. 40	(2,500)
	(2,500)
Total RPTTF authorized for non-administrative obligations	\$ 9,154,782
Total RPTTF requested for administrative obligations	125,000
<u>Reclassified Item</u>	
Item No. 40	2,500
	2,500
Total RPTTF authorized for administrative obligations	\$ 127,500
Total RPTTF authorized for obligations	\$ 9,282,282
ROPS 14-15B prior period adjustment	(69,024)
Total RPTTF approved for distribution	\$ 9,213,258

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when 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 ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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Please direct inquiries to Nichelle Thomas, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Diane Hadland, Consultant, DHA Consulting
Ms. Linda Santillano, Property Tax Manager, San Bernardino County