



April 26, 2012

Diana DeAnda, Finance Director/City Treasurer
City of Loma Linda
25541 Barton Road
Loma Linda, CA 92354

Dear Ms. DeAnda:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Loma Linda (City) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 11, 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 3, items 8 through 19 – Cooperative agreements totaling \$68 million. These items are cooperative agreements between the City and the Agency and no contracts have been executed. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. Additionally, HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011.
- Other Obligation Payment Schedule, items 24- 27 – Loan agreements with the City totaling \$21.2 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Administrative expenses totaling \$366,702. HSC section 34171 (b) limits administrative expenses in fiscal year 2011-12 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 \$46,291. Therefore, the administrative cost allowance will be \$250,000. The following items are considered to be administrative expenses:
 - Page 1 – Items 5-9, 11 through 14, 16, 22, 23, and 25 through 28
 - Page 2 – Items 9-11, 20, and 21
 - Page 3 – Item 31

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific 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 Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Larry Walker, Auditor Controller, San Bernardino Auditor Controller
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino Auditor Controller
Ms. Linda Santillano, Supervising Accountant, San Bernardino Auditor Controller
Mr. Franciliza Zyss, Accountant III, San Bernardino Auditor Controller