



April 27, 2012

Dena Fuentes, Director of Redevelopment and Housing
County of San Bernardino
385 North Arrowhead Ave, 3rd floor
San Bernardino, CA 92415

Dear Ms. Fuentes:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the County of San Bernardino Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012 for the period January through June 2012, and July through December 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:

- Item 15 and 16 on both ROPS are county loans totaling \$9 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the county that created the redevelopment agency (RDA) and the former RDA are not EOs.
- Administrative costs allowance exceeded by \$409,227 for period January through June 2012. HSC section 34171 (b) limits administrative costs to five percent of property tax allocated or \$250,000, whichever is greater. Five percent of the property tax allocated is \$270,443. Therefore, \$409,227 of the \$679,670 claimed is not an EO. Administrative cost are on page 1, items 7, 11, 13, 22, 23, 44, 46 and 47, and page 3, items 1, 2 and 3.
- Administrative costs allowance is exceeded by \$342,247 for period July through December 2012. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$259,512. Therefore, \$342,247 of the claimed \$601,759 is not an EO. Administrative costs are on Page 1, items 7, 10, 12, 18, 19, 20, 35, 37 and 38, Page 3, items 1, 2 and 3.

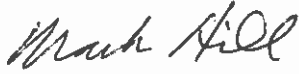
As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

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.

Ms. Fuentes
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Please direct inquiries to Robert Scott or Jenny DeAngelis at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive style with a large initial "M" and a long, sweeping tail.

MARK HILL
Program Budget Manager

cc: Ms. Vanessa Doyle, Property Tax Manager, San Bernardino Auditor- Controller's Office
Ms. Linda Santillano, Supervisor, San Bernardino Auditor-Controller's Office
Mr. Franz Zyss, Accountant III, San Bernardino Auditor- Controller's Office