



April 26, 2012

Bill Manis, Economic Redevelopment Director
City of Banning
99 East Ramsey Street
Banning, CA 92220-0998

Dear Mr. Manis:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Banning Successor Agency (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. Finance staff recently contacted you for further 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 1, items 15 through 18 – Contracts or agreements in the amount of \$7.8 million. HSC section 34171 (d) (2) states that contracts, loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence.
- Page 1, items 11, 23, 24, 34 and page 2, items 1, 12-15 – Contracts, agreements and/or settlements in the amount of \$3 million. The Agency did not provide supporting documents to indicate EOs have been established.
- Administrative expenses totaling \$458,619. HSC section 34171 (b) limits administrative expenses for 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 \$144,485. Therefore, the administrative cost allowance will be \$250,000. The following items are considered to be administrative expenses:
 - Page 1 – Item 10
 - Page 2 – Items 17 through 19

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.

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Please direct any inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in black ink that reads "Mark Hill". The signature is written in a cursive, flowing style.

MARK HILL
Program Budget Manager

cc: Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Auditor Controller
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor Controller
Ms. April Nash, Supervising Accountant, Riverside County Auditor Controller