DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 26, 2012

Bernie Simon, Finance Director
City of Grand Terrace
22795 Barton Road
Grand Terrace, CA 92313

Dear Mr. Simon:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Grand Terrace (City) 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 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 1, line item 15 – Residual receipts in the amount of $3 million. The item is related to an agreement by the City and the Agency. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the RDA.

- Page 2, line item 5 – Housing set-aside in the amount of $48.3 million. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. HSC section 34177 (d) requires that all unencumbered balances in the Low and Moderate Income Housing Fund be remitted to the county auditor controller for distribution to the taxing entities.

- Administrative costs claimed exceed allowance by $71,825. 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 $457,835. Therefore, $71,825 of the claimed $529,660 in administrative costs is not an EO. The following items are considered administrative expenses:
    - Page 1 – Items 8, 17-22, and 30
    - Page 2 – Items 9-12

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: Ms. Joyce Powers, Community and Economic Development Director, City of Grand Terrace
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