



April 27, 2012

LaRae Brown, Finance Director
City of Millbrae
621 Magnolia Avenue
Millbrae, CA 94030

Dear Ms. Brown:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Millbrae (City) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 16, 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 5 for \$1.6 million in loans from the City. HSC section 34171 (d) (2) states that loan agreements between the City and former redevelopment agency are not EO.
- Page 1, line 6 totaling \$5.7 million for projects without contracts. HSC section 34163(b) prohibits a redevelopment agency from entering into new contract after June 27, 2011.
- Administrative cost allowance exceeded by \$114,252. HSC section 34171 (b) limits the administrative cost allowance to five percent of the property tax allocated or \$250,000, whichever is greater. The maximum amount allowed is \$250,000. Therefore, \$114,252 of the claimed \$364,252 is not an EO. Costs include item 9, 13, 14, 15 and 17.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the 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 Robert Scott or Jenny DeAngelis at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Tom Huening, Auditor/Controller, San Mateo County
Mr. Bob Adler, Auditor/Controller, San Mateo County