



April 27, 2012

Lewis A. Humphries, Finance Director  
City of Newman  
938 Fresno Street  
Newman, CA 95360

Dear Mr. Humphries:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Newman (City) Redevelopment Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on Friday, April 13, 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 obligations (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following items do not qualify as EOs:

- Form A, Item No. 3 – Borrowed Funds from Cash Pool in the amount of \$252,513. HSC section 34171(d)(2) states that agreements, contracts or arrangements 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. The RDA was established in 1990. The loan between the City and the RDA was made subsequent to the first two-year period and is therefore not an EO.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS item 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.

Mr. Humphries  
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Please direct any inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,

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

MARK HILL  
Program Budget Manager

cc: Michael E. Holland, City Manager, City of Newman  
Lauren Klein, Stanislaus County Auditor-Controller