



April 20, 2012

Andy Okoro, Deputy City Manager
City of Norco
2870 Clark Avenue
Norco, CA 92860

Dear Mr. Okoro:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Norco Community Redevelopment Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 5, 2012, for the periods 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:

January through June 2012 period

- Page 3, items 1 through 3, totaling \$1 million represent contracts between the City of Norco and a third party. The Redevelopment Agency is not a party to the contracts or responsible for payment. Therefore, these items are not EOs.
- Page 3, item 6 in the amount of \$1.6 million represent unencumbered funds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 28, 2011.
- Administrative costs totaling \$161,986 are not allowed. HSC section 34171 (b) limits administrative costs 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 \$236,530. Therefore, \$161,986 of the claimed \$411,986 is not an EO. The following items are administrative expenses: page 2, items 10 through 19 and page 4, items 1, 2, and 3.

July through December 2012 period:

- Page 3, items 1 through 4, totaling \$1 million represent placeholders for future projects. Because these line items do not relate to a specific contract and do not have a specific amount, they are not enforceable obligations.
- Administrative expenses totaling \$75,450 are not allowed. 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 \$124,628. Therefore, \$75,450 of the claimed \$325,450 is not an EO. The following items are administrative expenses: page 2, item 10, and page 4, 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

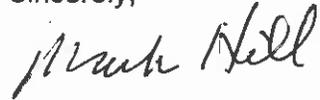
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until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

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, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

MARK HILL
Program Budget Manager

cc: Ms. Brenda Jacobs, City Clerk, City of Norco
Ms. Pam Elias, Chief Accountant, Property Tax, Riverside County Auditor-Controller
Ms. Jennifer Baechel, Business Process Analyst II, Riverside County Auditor-Controller
Ms. April Nash, Supervising Accountant, Riverside County Auditor-Controller