



May 25, 2012

Kim Juran, Finance Director
City of San Bruno
567 El Camino Real
San Bruno, CA 94066

Dear Ms. Juran:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the San Bruno Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 22, 2012 for the periods January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through June 2012 ROPS

In Finance's letter dated April 26, 2012, we questioned the following items:

- Items 1 and 2, on page 1, totaling \$3.1 million.
- Administrative expenses totaling \$15,738. Items 11 through 13 on page 1 were considered administrative costs.

The Agency submitted a revised ROPS and additional information. Based on our review of the revised ROPS, the Agency reduced its administrative expenses to the allowed minimum amount of \$250,000. Therefore, we are no longer questioning this item. However, the following is an update to items that remain as reported in our April 26, 2012 letter:

- Items 1 and 2 on page 1. The loan agreement provided was signed in 1998. However, City Ordinance 1491 passed in 1988 established the RDA. HSC section 34171 (d) (2) states that loans between the City and the RDA are valid if entered into within two years of the creation of the RDA. Because the loan was entered into in 1998 and the Agency was created in 1988, these items remain as not EOs.

July through December 2012 ROPS

HSC section 34171 (d) lists enforceable obligation (EO) characteristics. Items previously questioned during our review of the January through June 2012 ROPS were reported as items on the July through December 2012 ROPS. Therefore, the following items do not qualify as EOs:

- Items 1 and 2 on page 1 for city advances totaling \$2.6 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency (RDA) and the former RDA are not EOs.

Except for items disallowed in whole or in part as enforceable obligations noted above, Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPPTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Connie Jackson, City Manager, City of San Bruno
Mr. Marc Zafferano, City Attorney, City of San Bruno
Mr. Bob Adler, Auditor/Controller, County of San Mateo Controller's Office
Mr. Kenchan Charan, Deputy Controller, County of San Mateo Controller's Office
Ms. Shirley Tourel, Senior Internal Auditor, County of San Mateo Controller's Office