DEPARTMENT OF FINANCE

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April 27, 2012

Dave Culver, Finance Director
City of San Mateo
330 West 20th Avenue
San Mateo, CA 94403

Dear Mr. Culver:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Redevelopment Agency of the City of San Mateo submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items on 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:

> Item 39 and 40 totals $3.3 million for unencumbered bond proceeds. HSC section 34163(b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. HSC section 34177 (i) states that bonds shall be used for the purpose for which the bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds. With no signed contracts in place, there can be no EO.

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 Robert Scott or Jenny DeAngelis at (916) 322-2985.

Sincerely,

Mark Hill

MARK HILL
Program Budget Manager

cc: Ms. Lisa Grote, Community Development Director, City of San Mateo
Ms. Sandy Russell, HED Specialist, City of San Mateo
Mr. Bob Adler, Auditor-Controller, San Mateo County