



April 23, 2012

Chuck Dantuono, Director of Administrative Services
City Treasurer
City of Highland
27215 Base Line
Highland, CA 92346

Dear Mr. Dantuono:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Highland Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 11, 2012 for the period January through July 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 5, items 1, 8 through 16, 18, and 19 – Bond-related projects and administrative costs totaling \$10.8 million for contracts not yet executed. HSC section 34163 (b) prohibits the Agency from entering into contracts with any entity after June 27, 2011.
- Administrative expenses totaling \$69,775. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency's five-percent tax allocation for fiscal year 2011-12 is \$279,557. Therefore, \$69,775 of the claimed \$349,332 is not an EO. The following items are considered administrative expenses:
 - Page 1 – Items 8, 10 through 12, and 14
 - Page 4 – Items 2, 5, 9, 12, 15, 21, 25, 28, and 31

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.

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Please direct inquiries to Evelyn Suess, Supervisor or Mindy Paterson, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Larry Walker, Auditor Controller, County of San Bernardino
Ms. Vanessa Doyle, Property Tax Manager, Auditor Controller, County of San Bernardino
Ms. Linda Santillano, Supervising Accountant, Auditor Controller, County of San Bernardino
Ms. Franz Zyss, Accountant III, Auditor Controller, County of San Bernardino