



REVISED

August 3, 2015

Ms. Diana De Anda, Finance Director
City of Loma Linda
25541 Barton Road
Loma Linda, CA 92354

Dear Ms. De Anda:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letters dated March 22, 2013, April 27, 2013, and January 13, 2014. In Finance's previous determination letters, Finance disallowed a \$2,273,000 transfer to the City of Loma Linda (City) to pay for loans between the City and the former City of Loma Linda Redevelopment Agency. Pursuant to paragraph 1(b)(i) of the Settlement Agreement dated July 31, 2015 by and between the City, the City of Loma Linda Successor Agency (Agency), Finance, Michael Cohen in his official capacity as Director of Finance, the California State Controller's Office (SCO), and Betty T. Yee in her official capacity as Controller of the SCO, Finance no longer disputes this transfer.

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the Agency submitted an oversight board approved OFA DDR to Finance on January 15, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities.

With the exception of the \$2,273,000 transfer, Finance's previous determinations remain unchanged. Specifically, the following adjustments continue to be applicable:

- Finance determined that \$857,646 related to a former RDA loan to the City for the Open Space land purchase is not permitted as a non-cash or cash equivalent asset. The Agency could not demonstrate that the loan was a valid long-term receivable. Commercial Code section 3108 states a promise or order is payable on demand if it does not state any time of payment. During the meet and confer, the Agency did not dispute that the funds should be returned to the Agency. As such, Finance maintains the adjustment to increase the OFA balance in the amount of \$857,646 is necessary.
- The former RDA loaned the Loma Linda Chamber of Commerce \$8,584. The Loan Agreement dated June 30, 2007 states "the entire Loan Amount and interest thereon shall be due and payable as of the third anniversary of the Date of Agreement." Therefore, this loan is no longer an illiquid asset and is available for distribution to the affected taxing entities.

- The repayment of funds dispersed from the Inland Valley Development Authority (IVDA) in the amount of \$175,181 is not allowed. In Finance's letter dated December 14, 2012 to IVDA, Finance reversed its decision regarding the need for the IVDA to recover funds, which originally appeared to be housing set-aside funds. It is our understanding that those funds were paid to the Joint Powers Authority (JPA) members per the JPA Agreement. Therefore, there is no need for the Agency to retain these funds for remittance to IVDA or for housing purposes.
- The request to retain current cash balances totaling \$31,481 is not allowed. Sufficient documentation was not provided to support the request to retain funds totaling \$30,986 in cash, and the Paredes Replacement Housing Assistance item in the amount of \$495 was denied by Finance during the Recognized Obligation Payment Schedule for the period January 2013 through June 2013 as stated in our letter dated October 19, 2012.

The Agency's OFA balance available for distribution to the affected taxing entities is zero (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (1,112,975)
Finance Adjustments	
Add:	
Requested retained balances not supported	1,072,892
Total OFA available to be distributed:	\$ (40,083)

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. Please direct inquiries to Zachary Stacy, Manager at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Diane Hadland, DHA Consulting
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office