

April 26, 2012

Kimberly Juran-Karageorgiou, Finance Director
City of San Bruno
567 El Camino Real
San Bruno, CA 94066

Dear Ms. Juran-Karageorgiou:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of San Bruno Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 16, 2012 for the period of January through June 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:

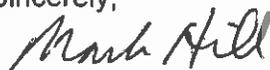
- Page 1, items 1 and 2, for city advances totaling \$3.1 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding that these loan agreements were not entered into within two years of the former RDA's date of creation of 1988.
- Administrative expenses totaling \$15,738. HSC section 34171 (b) limits administrative expenses 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 \$48,518. Therefore, \$15,738 of the claimed \$265,738 is not an 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 Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: On following page

Ms. Kimberly Juran-Karageorgiou

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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