



April 26, 2012

Marie Marron Berkuti, Finance Manager/Treasurer
City of Solana Beach
635 South Highway 101
Solana Beach, CA 92075

Dear Ms. Berkuti:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Solana Beach (City) Banning Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the periods January to June 2012 and July to December 2012. Finance staff recently contacted you for further 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:

- Items 14 and 15 – Cooperative agreements totaling \$49.6 million for the periods January through June 2012 and July to December 2012. HSC section 34171 (d) (2) states that contracts, loans between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence.

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 any inquiries to Evelyn Suess, Supervisor or Mindy Patterson, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Juan Perez, Senior Auditor and Controller Manager, San Diego Auditor Controller
Ms. Nenita DeJesus, Senior Auditor and Controller Accountant, San Diego
Auditor Controller