



April 15, 2013

Mr. Aaron Busch, Community Development Director
City of Yuba City Successor Agency
1201 Civic Center Boulevard
Yuba City, CA 95993

Dear Mr. Busch:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Yuba City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 1, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 14 – 425 Franklin/Delta Oilfield Services in the amount of \$310,000; payable from Reserve Funds. This item was originally denied as an inclusion to the ROPS for the period January through June 2013; the agreement for the excavation of contaminated soils is between the City of Yuba City (City) and Delta Oilfield Services. During the January through June 2013 ROPS Meet and Confer process, the Agency provided additional documentation to support the Agency's obligation to pay for the clean-up costs, and Finance no longer disputes the item.

However, the Agency has not provided sufficient documentation to support the full funding request, and therefore, the remaining amount, \$10,000, is not eligible for funding on the ROPS.

- Item No. 15 – City Reimbursement-Gauche Park Agreement in the amount of \$8,961,906; payable from Reserve Funds. This item was originally denied as an inclusion to the ROPS for the period January through June 2013; HSC section 34171 (d) (2) states that agreements, contracts or arrangements between the city, county or city and county that created the redevelopment agency (RDA) and the former RDA are not enforceable unless they are for the purpose of repaying indebtedness obligations issued on or before December 2010 and only if agreements were made at the time of issuance. This decision was later upheld through the Meet and Confer process in the letter dated December 18, 2012.

The Agency contends the Reimbursement Agreement is for the repayment of 2006 Certificates of Participation (COPS) issued by the City. Out of an abundance of caution Finance agreed to review the information again. Our review has determined that the COPS were issued on August 22, 2006 while the Reimbursement Agreement was entered into a year later; September 4, 2007, not at time of issuance. As such, this agreement does not meet the exception contained in HSC 34171(d) (2). Additionally, it is our understanding the purpose of the Reimbursement Agreement was to help fund the Gauche Park improvements, not to secure the COPS or repay the COPS. Therefore, this item is not an enforceable obligation, and not eligible for funding on the ROPS.

Except for item denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,416,379 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 1,313,279
Total approved RPTTF for enforceable obligations	\$ 1,313,279
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	103,100
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 1,416,379

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i).

Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Robin Bertagna, Finance Director
Mr. John Beaver, Tax Manager, County of Sutter
California State Controller's Office