DEPARTMENT OF FINANCE

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November 14, 2013

Mr. Curtis Yakimow, Director of Admin Services
Town of Yucca Valley
57090 29 Palms Highway
Yucca Valley, CA 92284

Dear Mr. Yakimow:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Town of Yucca Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item No. 15 – Supplemental Educational Revenue Augmentation Fund (SERAF) Loan in the amount of $636,000 is not allowed at this time. HSC section 34176 (e) (6) (B) specifies loan or deferral repayments to the Low-Moderate Income Housing Fund shall not be made prior to the 2013-14 fiscal year. While ROPS 13-14B technically falls within fiscal year 2013-14, the repayment of these loaned amounts is subject to the repayment formula outlined in HSC section 34176 (e) (6) (B).

  HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. Since the formula does not allow for estimates, the Agency must wait until the ROPS residual pass-through distributions are known for fiscal year 2013-14 before requesting funding for this obligation. Therefore, the Agency may be able to request funding beginning with ROPS 14-15A.

- Claimed administrative costs exceed the allowance by $7,500. HSC section 34171 (b) limits the fiscal year 2013-14 administrative expenses to three percent of property tax allocated to the Agency or $250,000, whichever is greater. The San Bernardino County Auditor-Controller (CAC) distributed $132,500 for the July through December 2013 (ROPS 13-14A) period, thus leaving a balance of $117,500 available for the January through June 2014 period. Although $125,000 is claimed for administrative cost, only

$117,500 is available pursuant to the cap. Therefore, $7,500 of excess administrative cost is not allowed.

For funding sources other than RPTTF, Finance made adjustments and/or reclassifications to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments and/or reclassifications have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Fund Balances form, the following adjustments were made:

- Beginning Available Fund Balance (Actual 01/01/13), Bonds Issued on or before December 31, 2010 in the amount of $5,546,007 should be $6,289,210. Required bond reserves in the amount of $743,203 were not included in the beginning balance as reflected in the Agency's Other Funds and Accounts Due Diligence Review dated June 30, 2012. Accordingly, Retention of Available Fund Balance (Actual 06/30/13) and (Estimate 12/31/13), Bonds Issued on or before December 31, 2010 has been revised to $723,203 to reflect the retention of the reserves going forward.

- Revenue/Income (Estimate 12/31/13), Non-Admin RPTTF in the amount of $250,549 should be $243,049 and Admin RPTTF in the amount of $125,000 should be $132,500 in accordance with the amounts actually distributed from the CAC. Additionally, Expenditures for ROPS 13-14A enforceable obligations (Estimate 12/31/13), Non-Admin RPTTF in the amount of $281,000 should be $243,049 to reflect the amount actually distributed from the CAC after the prior period adjustment of $37,951 was applied to the authorized RPTTF amount of $281,000.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligation or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is $578,083 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014		
Total RPTTF requested for non-administrative obligations		625,000
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**750,000**
Total RPTTF requested for non-administrative obligations		**625,000**
Denied Items		
Item No. 15		(150,000)
		(150,000)
Total RPTTF approved for non-administrative obligations		**475,000**
Total RPTTF requested for administrative obligations		**125,000**
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)		**117,500**
Total RPTTF approved for obligations		**592,500**
ROPS III prior period adjustment		(14,417)
Total RPTTF approved for distribution	**$**	**578,083**
Administrative Cost Cap Calculation		
Total RPTTF for 13-14A (July through December 2013)		281,000
Total RPTTF for 13-14B (January through June 2014)		573,164
Less approved unfunded obligations from prior periods		(150,000)
Total RPTTF for fiscal year 2013-14		**704,164**
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or $250,000)		250,000
Administrative allowance for 13-14A (July through December 2013)		132,500
Allowable RPTTF distribution for administrative cost for ROPS 13-14B		**117,500**

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

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Sharon Cisneros, Senior Accountant, Town of Yucca Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office