

December 17, 2014

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

Dear Mr. Busch:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 5, 2014. 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 14-15B) to Finance on September 23, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 5, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 12, 2014.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item Nos. 1, 2, and 8 – Tax Allocation Bonds and debt service reserve. Finance no longer reclassifies these items. Finance initially reclassified these items to Reserve Balances based on amounts reported in the Cash Balance Report. However, based on additional information provided by the Agency during the meet and confer, the Agency does not receive sufficient funds from the Redevelopment Property Tax Trust Fund (RPTTF) annually to meet its debt service obligations. As such, the Agency must retain the reserves on-hand to prevent default. To the extent the project areas generate sufficient RPTTF to satisfy the debt service obligations, the Agency should request the use of the reserves on-hand prior to requesting RPTTF pursuant to HSC section 34177 (l) (1) (E).

Finance notes that pursuant to HSC section 34183 (a) (2) (A), debt service payments have first priority for payment from distributed RPTTF funding. As such, debt service requested to be held in reserve should be transferred upon receipt to the bond trustee(s) along with the amounts approved for the other ROPS 14-15B debt service payments prior to making any other payments on approved ROPS items. Any requests to fund these bond items again in the July through December 2015 ROPS (ROPS 15-16A) period will be denied unless insufficient RPTTF is received to satisfy both the debt service payments due during the ROPS 14-15B period and the reserve amounts requested in ROPS 14-15B for the ROPS 15-16A debt service payments.

Finally, it is our understanding that during the July through December ROPS (ROPS 14-15A) period the Agency used on-hand reserve funds to make payments towards items on the ROPS 14-15A approved to be paid from RPTTF. Finance notes that HSC section 34177 (a) (3) states that only those payments listed in the approved ROPS may be made from the funding source specified in the ROPS. However, HSC section 34177 (a) (4) goes on to state that with prior approval from the oversight board, the successor agency can make payments for enforceable obligations from sources other than those listed in the ROPS. In the future, the Agency should obtain prior oversight board approval when making payments for enforceable obligations from a funding source other than those approved by Finance.

In addition, per Finance's letter dated November 5, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency, as adjusted by Finance.

Based on the Sutter County Auditor - Controller's (CAC) distribution report, the correct amount of Available RPTTF for administrative obligations was \$0; however, the Agency incorrectly entered \$125,000. In addition, the Agency incorrectly entered actual administrative expenditures totaling \$58,132. Therefore, Finance decreased the available administrative expenditures to \$58,132. This adjustment reduced the prior period adjustment from \$66,868 (\$125,000 - \$58,132) to \$0.

Except for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. The Agency's maximum approved RPTTF distribution for the reporting period is \$1,380,567 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,345,567
Total RPTTF requested for administrative obligations	35,000
Total RPTTF requested for obligations on ROPS	\$ 1,380,567
Total RPTTF requested for non-administrative obligations	1,345,567
Total RPTTF authorized for non-administrative obligations	\$ 1,345,567
Total RPTTF requested for administrative obligations	35,000
Total RPTTF authorized for administrative obligations	\$ 35,000
Total RPTTF authorized for obligations	\$ 1,380,567
Self-reported ROPS 13-14B prior period adjustment (PPA)	(66,686)
Finance adjustment to ROPS 13-14B PPA	66,686
Total ROPS 13-14B PPA	0
Total RPTTF approved for distribution	\$ 1,380,567

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies 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 section 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Evelyn Suess, Dispute Resolution Supervisor or Danielle Brandon, Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

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