

December 17, 2014

Mr. Greg Franklin, Director of Administrative Services
City of Yucaipa
34272 Yucaipa Boulevard
Yucaipa, CA 92399

Dear Mr. Franklin:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 4, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Yucaipa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to Finance on September 25, 2014, for the period of January through June 2015. Finance issued a ROPS determination letter on November 4, 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 17, 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. 57 and 58 – City of Yucaipa (City) Loans totaling \$877,798 are not allowed. Finance continues to deny these items. Pursuant to HSC section 34191.4 (b), loan agreements between the former redevelopment agency and sponsoring entity may be placed on the ROPS if the following requirements are met: (1) The Agency has received a Finding of Completion; and (2) The Agency's oversight board approves the loan as an enforceable obligation by finding the loan was for legitimate redevelopment purposes.

The Agency received a Finding of Completion on May 7, 2013. However, Finance initially denied these items because the Agency had not submitted a resolution from the oversight board approving the loans or making a finding the loans were for legitimate redevelopment purposes. During the Meet and Confer process, the Agency submitted Oversight Board Resolution No. 2014-76 related to the City Loans. However, Finance denied the Oversight Board Resolution in a determination letter, dated December 17, 2014, because insufficient documents were provided to support the loans, such as executed loan agreements. HSC section 34191.4 (b) (1) specifically states that "loan agreements entered into...shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes." Without providing loan agreements that were actually executed, it is unclear how the oversight board could make such a finding. Therefore, Item Nos. 57 and 58 are not enforceable obligations and are not eligible for funding.

In addition, per Finance's letter dated November 4, 2014, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Funds (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Other Funds totaling \$12,284.

Therefore, the funding source for the following item has been reclassified to Other Funds in the amount specified below:

- Item No. 45 – 2004 Tax Allocation Bonds. The Agency requests \$42,230 from RPTTF; however, Finance is reclassifying \$12,284 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$12,284 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$29,946 and the use of Other Funds in the amount of \$12,284, totaling \$42,230.

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. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency.

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 requested by the Agency, Finance has adjusted an error in the Prior Period Adjustment form to reflect a decrease in RPTTF expenditures for Item No. 47 by the amount of \$1,273, and to reclassify those expenditures to Item No. 48, Other Funds.

Except for the items denied in whole or in part, or for the item that has 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 \$303,409 as summarized in the Approved RPTTF Distribution on the following page:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	436,496
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 561,496
Total RPTTF requested for non-administrative obligations	436,496
<u>Denied Items</u>	
Item No. 57	(185,878)
Item No. 58	(46,470)
	(232,348)
Total RPTTF for non-administrative obligations	204,148
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 45	(12,284)
Total RPTTF authorized for non-administrative obligations	\$ 191,864
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 316,864
ROPS 13-14B prior period adjustment	(13,455)
Total RPTTF approved for distribution	\$ 303,409

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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Dustin Gray, Accounting Manager, City of Yucaipa
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office