

May 17, 2016

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

Dear Mr. Franklin:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2016. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Yucaipa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period of July 1, 2016 through June 30, 2017 (ROPS 16-17) to Finance on January 27, 2016. Finance issued a ROPS determination letter on April 6, 2016. Subsequently, the Agency requested a Meet and Confer session on one or more of the determinations made by Finance. The Meet and Confer session was held on April 19, 2016.

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 determinations being disputed.

- Item No. 57 – City of Yucaipa (City) loans in the total outstanding amount of \$541,016 is partially allowed. Finance maintains its previous determination. During the meet and confer process, the Agency requested confirmation of Finance's calculation. The Agency contends that the outstanding loan balance is correct and not overstated. However, pursuant to HSC section 34191.4 (b) (3), any interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan on a quarterly basis, at a simple interest rate of three percent and repayments shall be applied first to principal, and second to interest.

The total outstanding balance for Item No. 57 includes miscalculated interest as well as repayments applied to interest prior to principal. Therefore, Finance has recalculated the total outstanding loan balance to be approximately \$385,098, and has reduced the outstanding loan balance reported on the Agency's ROPS Detail Form by \$155,918.

Finally, the City loan repayment in the amount of \$336,782 for the ROPS 16-17 period is partially allowed. HSC section 34191.4 (b) (3) (A) allows 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 fiscal year 2012-13 base year.

According to the San Bernardino County Auditor-Controller's report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and fiscal year 2015-16 are \$183,955 and \$478,620, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 16-17 period is \$147,333. Therefore, of the \$336,782 requested, Finance approves \$147,333, and the remaining amount of \$189,449 is not currently eligible for funding. The Agency may be eligible for additional funding on subsequent ROPS.

- Item No. 60 – Housing Administrative Costs Allowance in the total outstanding amount of \$150,000 is not allowed. Finance continues to deny this item. Finance denied this item because pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency (RDA) elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Yucaipa (City) is the City-formed Housing Authority (Authority), the Authority operates under the control of the City and is considered the City under Dissolution Law (ABx1 26 and AB 1484).

The Agency contends that the City elected not to retain the housing functions, but the Authority, as a separate legal entity from the City, did retain the housing functions pursuant to HSC section 34176 (b) and should therefore be eligible for the housing entity administrative allowance. However, pursuant to HSC section 34167.10 (a), the definition of "city" includes, but is not limited to, any reporting entity of the city for purposes of its comprehensive annual financial report (CAFR), any component unit of the city, or any entity controlled by the city or for which the city is financially responsible or accountable. HSC section 34167.10 (a) defines "city" for purposes of all of Dissolution Law, which includes HSC section 34171, as amended by AB 471, and HSC section 34176. The Authority is controlled by the City because the City was involved in the formation of the Authority and they share common governing boards, which are factors to be considered when determining if an entity is controlled by the city pursuant to HSC section 34167.10 (b).

Although the Authority is a separate legal entity from the City, HSC section 34167.10 (c) states that it shall not be relevant that the entity is formed as a separate legal entity. It should also be noted that HSC section 34167.10 (c) goes on to state that "the provisions of this section are declarative of existing law as the entities described herein are and were intended to be included within the requirements of this part [Part 1.8] and Part 1.85...and any attempt to determine otherwise would thwart the intent of these two parts." Therefore, based on our review, the City, by way of the Authority, elected to retain the housing functions pursuant to HSC section 34176 (a) and is not eligible for \$150,000 of housing entity administrative allowance.

In addition, per Finance's letter dated April 6, 2016, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 58 – City of Yucaipa (City) loans. It is not necessary to utilize two lines on the ROPS for City loan repayments. With the Agency's consent, Item Nos. 57 and 58 have been combined, into Item No. 57, and Item No. 58 has been retired.

Except for the items denied in whole or for the items that have been adjusted, Finance is not objecting to the remaining items listed on your ROPS 16-17.

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Therefore, the funding source for the following item has been reclassified to Other Funds, and in the amount specified below:

- Item No. 44 – 1998 Tax Allocation Bonds, debt service payment. The Agency requested \$31,243 from Redevelopment Property Tax Trust Funds (RPTTF); however, Finance is reclassifying \$961 to Other Funds. This item is an enforceable obligation for the ROPS 16-17 period. However, the obligation does not require payment from property tax revenues and the Agency has \$961 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$30,282 and the use of Other Funds in the amount of \$961, totaling \$31,243 for the ROPS 16-17 period.

The Agency's maximum approved RPTTF distribution for the reporting period is \$918,956 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

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

This is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution statutes. 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Daisy Rose, Analyst,
at (916) 445-3274.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Dustin Gray, Accounting Manager, City of Yucaipa
Ms. Linda Santillano, Property Tax Manager, San Bernardino County

Attachment

Approved RPTTF Distribution			
For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 612,233	\$ 443,793	\$ 1,056,026
Requested Administrative RPTTF	101,670	101,670	203,340
Total RPTTF requested for obligations on ROPS 16-17	713,903	545,463	\$ 1,259,366
Total RPTTF requested	612,233	443,793	1,056,026
<u>Denied Items</u>			
Item No. 57	(21,058)	(168,391)	(189,449)
Item No. 60	(75,000)	(75,000)	(150,000)
<u>Reclassified Item</u>			
Item No. 44	(961)	0	(961)
Total RPTTF authorized	515,214	200,402	\$ 715,616
Total Administrative RPTTF authorized	101,670	101,670	\$ 203,340
Total RPTTF approved for distribution	616,884	302,072	\$ 918,956