



December 18, 2012

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 Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 10, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Yuba City Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 27, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 10, 2012. 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 26, 2012.

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 item being disputed.

- Item No. 4 – City Reimbursement Agreement in the amount of \$9.5 million in reserves. Finance continues to deny the item at this time. Finance denied the item as HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city 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 31, 2010. Because this agreement is not for the repayment of indebtedness obligations, it is not an enforceable obligation. The Agency contends the item is an enforceable obligation because there is a Reimbursement Agreement to pay debt service on bonds issued by the City to construct Gauche Park. HSC section 34171 (d) (2) states that written agreements entered into at the time of issuance, but in no event later than December 31, 2010, of indebtedness obligations, and solely for the purpose of securing or repaying those indebtedness obligations may be deemed enforceable obligations. Although the Reimbursement Agreement is solely for the purpose of securing or repaying indebtedness obligations, it was not entered into at the time of issuance of the indebtedness obligations. The indebtedness obligations were issued August 2006 and the Reimbursement Agreement was entered into in September 2007. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. Therefore, the item is not an enforceable obligation.

- Item No. 14 – Public Works Agreement in the amount of \$300,000 in reserves. Finance no longer objects to the item. Finance denied the item as the agreement for the excavation of contaminated soil is between the City of Yuba City and Delta Oilfield Services. As the former RDA is neither a party to the contract nor responsible for payment of the contract, this item is not an enforceable obligation. The Agency contends the item is an enforceable obligation because the agreement is with the City, but the language in the agreement clearly states that the obligation of the clean-up is with the former RDA, which owns the site. Finance agrees that the item is an enforceable obligation as the former RDA Board adopted a resolution in February 2011 and entered into an agreement with the City approving the use of RDA funds for contracts the City would be entering into for the improvements. Therefore, the item is an enforceable obligation.

In addition, per Finance’s ROPS letter dated October 10, 2012, the following item not disputed by the Agency continues to be denied:

- Item No. 7 – City loan in the amount of \$22.9 million funding source unidentified. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created RDA and the former RDA are not enforceable. To the extent a finding of completion is issued by Finance and the oversight board makes a finding that the loan was for legitimate redevelopment purposes pursuant to HSC section 34191.4 (b), this item may become enforceable.

The Agency’s maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$1,546,995 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,453,495
Less: Six-month total for item(s) denied or reclassified as administrative cost	0
Total approved RPTTF for enforceable obligations	<u>\$ 1,453,495</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>93,500</u>
<b>Total RPTTF approved:</b>	<b>\$ 1,546,995</b>

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance’s final determination related to the enforceable obligations reported on

your ROPS for January 1 through June 30, 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 questioned on this ROPS or a preceding ROPS.

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

Sincerely,



STEVE SZALAY  
Local Government Consultant

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