DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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October 12, 2012

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

Dear Mr. Franklin:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Yucaipa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 28, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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:

- Item No. 11 – Façade improvement agreements in the amount of $60,000 paid with reserve balance. HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. Because the agreements with business owners for façade improvements were granted/approved in December 2011, this line item is not an enforceable obligation.

- Item No. 12 – Administrative costs in the amount of $25,000 funded with Low and Moderate Income Housing Fund (LMIHF). HSC 4176 (a) (1) directs all rights, powers, duties, obligations to be transferred to the agency assuming the housing functions. Therefore, the administrative costs associated with the housing functions are not enforceable obligations.

Finance has reviewed the documents provided to us at the August 20, 2012 meeting. Unfortunately, the following items remain denied as enforceable obligations as follows:

- Item Nos. 16 and 24 through 30 – Uptown Streetscape Project expenses totaling $1.72 million bond funds. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. Additionally, the RDA must be a party to contracts and responsible for the payment of contracts between the RDA and a third party. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item Nos. 22 and 23 – Sorenson owner participation agreements (OPA) for future construction in the amounts of $752,700 funded by Redevelopment Property Tax Trust Fund and $1 million bond funds. While the OPA between the RDA and Sorenson Engineering, Inc. is valid, construction contracts were not executed prior to June 28, 2011, and therefore these items are not enforceable obligations. Pursuant to HSC section 34191.4 (c), this shall remain the case with respect to the bond funded portion (Item No. 23) until and unless a Finding of Completion is issued by Finance, at which time Item 23 may be considered an enforceable obligation.

Furthermore, the following items were reclassified as administrative costs: Item Nos. 6 through10. Although this reclassification increased administrative costs to $189,110, the administrative cost allowance has not been exceeded.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $477,503 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	586,000
Less: Six-month total for items denied or reclassified as administrative cost		
Item 6*		3,750
Item 7*		6,000
Item 8*		30,000
Item 9*		19,360
Item 10*		5,000
Item 22		233,497
Total approved RPTTF for enforceable obligations	$	288,393
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		189,110
Total RPTTF approved:	$	477,503

*Reclassified as administrative cost

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.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

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.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Dustin Gray, Accounting Manager, City of Yucaipa
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County