



April 27, 2012

Gregory A. Franklin, Director of Administrative Services
City of Yucaipa
34272 Yucaipa Blvd.
Yucaipa, CA 92399

Dear Mr. Franklin:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Yucaipa (City) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 12, 2012, for the periods January through June 2012 and July through December 2012. Finance staff contacted you for clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations (EO) characteristics. Based on a sample of items reviewed and application of the law, the following items do not qualify as EOs:

January through June 2012 and July through December 2012 Periods

- HSC section 34163(b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. The contracts for the following items were not entered into prior to June 28, 2011:
 - Page 1, items 4 and 5, in the amount of \$1.8 million. The Participation Agreement stated that the former RDA was to enter into construction contracts; however, no construction contracts were provided. Further, the agreement did not specify the total contract amount.
 - Page 2, items 12, 14 and 16, in the amount of \$548,299.
- Page 2, item 8, in the amount of \$445,000. The City did not provide a contract document to support this item.
- Page 2, item 11, in the amount of 187,460. The contract did not identify the former RDA as a party to the contract.
- HSC section 34171(d)(2) states that loan agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA. It is our understanding that the following items were loans not issued within the first two years of the former RDA's establishment date of 1990.
 - Page 2, items 13, 15, 17, and 18, in the amount of \$598,960.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective

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until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct any inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor Controller
Ms. Linda Santiliano, Supervising Accountant, San Bernardino County Auditor Controller
Ms. Franciliza Zyss, Accountant III, San Bernardino County Auditor Controller