



April 6, 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

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Yucaipa Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on January 27, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 57 and 58 – City of Yucaipa (City) loans in the total outstanding amount of \$336,782 is partially allowed. 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.

Additionally, the total outstanding balance for the City loan is overstated. Pursuant to HSC section 34191.4 (b) (3), 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.

It is our understanding the total outstanding balance of \$541,016 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, \$189,449 (\$336,782 - \$147,333) 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. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. The housing successor to the former redevelopment agency of the City of Yucaipa is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under Dissolution Law pursuant to HSC section 34167.10. Therefore, \$150,000 of housing successor administrative allowance requested for the ROPS 16-17 period is not allowed.

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. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

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 4 (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:

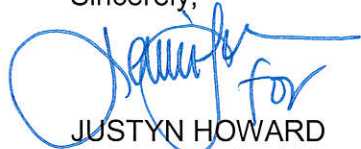
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, 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.

Please direct inquiries to Nichelle Thomas, Supervisor, or Michael Barr, Lead Analyst, at (916) 445-1546.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Justyn Howard for', is written over a circular stamp or mark.

JUSTYN HOWARD  
Program Budget Manager

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

**Attachment**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2016 through June 2017</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>Total</b>
Requested RPTTF (excluding administrative obligations)	\$ 612,233	\$ 443,793	\$ 1,056,026
Requested Administrative RPTTF	101,670	101,670	203,340
<b>Total RPTTF requested for obligations on ROPS 16-17</b>	<b>713,903</b>	<b>545,463</b>	<b>\$ 1,259,366</b>
<b>Total RPTTF requested</b>	<b>612,233</b>	<b>443,793</b>	<b>1,056,026</b>
<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)
<b>Total RPTTF authorized</b>	<b>515,214</b>	<b>200,402</b>	<b>\$ 715,616</b>
<b>Total Administrative RPTTF authorized</b>	<b>101,670</b>	<b>101,670</b>	<b>\$ 203,340</b>
<b>Total RPTTF approved for distribution</b>	<b>616,884</b>	<b>302,072</b>	<b>\$ 918,956</b>