



May 17, 2017

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

Dear Mr. Franklin:

Subject: 2017-18 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 9, 2017. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Yucaipa Successor Agency (Agency) submitted an annual ROPS for the period of July 1, 2017 through June 30, 2018 (ROPS 17-18) to Finance on January 26, 2017. Subsequently, the Agency requested a Meet and Confer on one of the determinations made by Finance. The Meet and Confer was held on April 25, 2017.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer, Finance has completed its review of the specific determination being disputed:

Item No. 61 – Housing Entity 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 RDA of the City of Yucaipa (City) 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 (ABx1 26 and AB 1484).

The Agency contends the City elected not to retain the housing functions, but the Authority, a local housing entity and not an agent of the City, retained 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 9, 2017, we continue to make the following determinations not contested by the Agency during the Meet and Confer:

- Item No. 57 – The funding source for City Loans in the amount of \$239,640 is incorrect. Per discussion with Agency staff, the \$239,640 requested from Administrative Redevelopment Property Tax Trust Funds (RPTTF) should have been from RPTTF. As a result, Finance has adjusted the funding source from Administrative RPTTF to RPTTF for the ROPS 17-18 period.
- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 17-18.

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,020,797 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2017 through December 31, 2017 period (ROPS A period) and one distribution for the January 1, 2018 through June 30, 2018 period (ROPS B period) based on Finance approved amounts. Since Finance's determination is for the entire ROPS 17-18 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 17-18 form, the Agency reported cash balances and activity for the period of January 1, 2016 through June 30, 2016. Finance reviews the Agency's self-reported cash balances on an ongoing basis. The Agency should be prepared to submit financial records and bridging documents to support the cash balances reported upon request. Finance's ROPS 17-18 cash balances review indicates the Agency has Other Funds available to pay for enforceable obligations on the ROPS for the period of July 1, 2018 through June 30, 2019 (ROPS 18-19). HSC section 34177 (l) (1) (E) requires the Agency to use those balances prior to requesting RPTTF.

The Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through June 30, 2016 period (ROPS 15-16). The Agency will report actual payments for ROPS 15-16 on ROPS 18-19, pursuant to HSC section 34186 (a) (1). A prior period adjustment may be applied to the Agency's ROPS 18-19 RPTTF distribution. Therefore, the Agency should retain any unexpended ROPS 15-16 RPTTF.

This is Finance's final determination regarding the obligations listed on the ROPS 17-18. This determination only applies to items when funding was requested for the 12-month period.

The ROPS 17-18 form submitted by the Agency and Finance's determination letter will be posted on Finance's website:

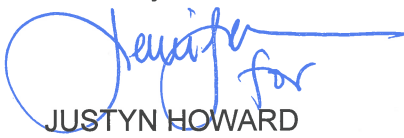
<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

Finance's determination is effective for the ROPS 17-18 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 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 law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Anna Kyumba, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

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**

<b>Approved RPTTF Distribution</b>			
<b>For the period of July 2017 through June 2018</b>			
	<b>ROPS A Period</b>	<b>ROPS B Period</b>	<b>ROPS 17-18 Total</b>
RPTTF Requested	\$ 450,402	\$ 271,737	\$ 722,139
Administrative RPTTF Requested	224,329	224,329	448,658
<b>Total RPTTF Requested</b>	<b>674,731</b>	<b>496,066</b>	<b>1,170,797</b>
<b>RPTTF Requested</b>	<b>450,402</b>	<b>271,737</b>	<b>722,139</b>
<u>Adjustment</u>			
Item No. 57	119,820	119,820	239,640
Item No. 61	(75,000)	(75,000)	(150,000)
<b>RPTTF Authorized</b>	<b>495,222</b>	<b>316,557</b>	<b>811,779</b>
<b>Administrative RPTTF Requested</b>	<b>224,329</b>	<b>224,329</b>	<b>448,658</b>
<u>Adjustment</u>			
Item No. 57	(119,820)	(119,820)	(239,640)
<b>Administrative RPTTF Authorized</b>	<b>104,509</b>	<b>104,509</b>	<b>209,018</b>
<b>Total RPTTF Approved for Distribution</b>	<b>\$ 599,731</b>	<b>\$ 421,066</b>	<b>\$ 1,020,797</b>