DEPARTMENT OF FINANCE

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May 16, 2014

Mr. Curtis Yakimow, Director of Admin Services
Town of Yucca Valley
57090 29 Palms Highway
Yucca Valley, CA 92284

Dear Mr. Yakimow:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Town of Yucca Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on February 28, 2014, for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. 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 April 30, 2014.

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.

During our initial review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, Finance identified available Reserve Balances totaling $417,154. While the Agency concurred during the meet and confer that reserve balances are available for ROPS 14-15A, the Agency requested review of the reserve balance claiming only $389,020 is actually available.

Our review of the reserve balances indicated that during the Other Funds and Accounts (OFA) Due Diligence Review (DDR) the Agency requested to retain and Finance approved $869,595 for the July through December 2012 (ROPS II) period. A prior period adjustment (PPA) was made during the January through June 2013 (ROPS III) period pursuant to HSC section 34186 (a) totaling $39,000. The PPA assumes funds from the January through June 2012 period are available for use during ROPS III; however, the Agency did not request to retain these funds for the ROPS III period during the OFA DDR. As such, the Agency used $18,636 of the reserve balances remaining after ROPS II to meet approved enforceable obligations during the ROPS III. Subsequent to the ROPS III period, part of the PPA, or $14,417 was carried forward for use during the January through June 2014 (ROPS 13-14B) period pursuant to HSC section 34186 (a). Again, the Agency used reserve balances of $9,498 to satisfy approved enforceable obligations. Therefore, given the facts and relevant supporting documentation, Finance has

determined that the outstanding reserve balances of $417,154 should be reduced to $389,020 ($417,154 - $18,636 - $9,498), as stated by the Agency. Therefore, the funding source for Item 1 has been reclassified to Reserve Balances in the amount specified below as previously determined and not contested by the Agency. The remaining reserve balance will be carried forward for use in future ROPS periods:

- Item No. 1 – 2008 Tax Allocation Bond debt service payment in the amount of $265,791. The Agency requests $265,791 from RPTTF; however, Finance is reclassifying the total amount requested to Reserve Balances. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has $389,020 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of $265,791.

In addition, per Finance's letter dated April 14, 2014, we continue to deny the following items not contested by the Agency during the Meet and Confer:

- Item No. 15 – Supplemental Educational Revenue Augmentation Fund (SERAF) Loan repayment in the amount of $636,679. Pursuant to HSC section 34171 (d) (1) (G), amounts borrowed from the Low and Moderate Income Housing Fund (LMIHF) are enforceable obligations, provided, however, that the repayment schedule is approved by the Oversight Board (OB). HSC section 34176 (e) (6) (B) allows this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the 2012-13 base year. However, the OB has not approved the repayment schedule for the SERAF loan. Therefore, this ROPS item is not eligible for funding at this time. Once the OB approves a repayment schedule for this loan and the corresponding OB action is approved by Finance, the Agency may request funding for this item on future ROPS.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part as an enforceable obligation and for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. The Agency's maximum approved RPTTF distribution for the reporting period is $123,254 as summarized in the following table:

Approved RPTTF Distribution For the period of July through December 2014		
Total RPTTF requested for non-administrative obligations		678,813
Total RPTTF requested for administrative obligations		125,000
Total RPTTF requested for obligations	**$**	**803,813**
Total RPTTF requested for non-administrative obligations		**678,813**
Denied Item		
Item No. 15		(413,022)
		(413,022)
Cash Balances - Item reclassified to other funding sources		
Item No. 1		(265,791)
		(265,791)
Total RPTTF authorized for non-administrative obligations		**$0**
Total RPTTF authorized for administrative obligations	**$**	**125,000**
Total RPTTF authorized for obligations	**$**	**125,000**
Total ROPS 13-14A PPA		(1,746)
Total RPTTF approved for distribution	**$**	**123,254**

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination 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 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Sharon Cisneros, Senior Accountant, Town of Yucca Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office