

**AGENDA
MEETING OF THE
OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE
DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY
FRIDAY, AUGUST 31, 2012, 10:00 A.M.
JOSHUA TREE ROOM, YUCCA VALLEY COMMUNITY CENTER**

**(WHERE APPROPRIATE OR DEEMED NECESSARY, ACTION MAY BE TAKEN
ON ANY ITEM LISTED IN THE AGENDA)**

OPENING CEREMONIES

CALL TO ORDER

ROLL CALL: Members Cooper, Dunn, Nuaimi, Price, Rogers, Salvate, and Chair Rowe.

PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

Action: Move _____ 2nd _____ Vote _____.

DEPARTMENT REPORTS

- 1-56 1. ABx1 26 and AB 1484 Update

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2012-13

Staff Report

Recommendation: Receive the ABx1 26 and AB 1484 verbal update from staff and approve the resolution adopting the administrative budget for the Successor Agency for the 2012-13 fiscal year.

Action: Move _____ 2nd _____ Vote _____.

- 57-83 2. Recognized Obligation Payment Schedule ("ROPS")

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY APPROVING AND ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE ("ROPS") PURSUANT TO HEALTH AND SAFETY CODE § 34176 AND TRANSMITTING THE ROPS TO THE NECESSARY AGENCIES

Staff Report

Recommendation: Approve the Resolution adopting the Recognized Obligation Payment Schedule (“ROPS”) for the period from January 1, 2013 through June 30, 2013, and direct Successor Agency Staff to post the schedule on the Town of Yucca Valley Website and to deliver the ROPS to the San Bernardino County Auditor Controller, State Controller and to the State Department of Finance.

Action: Move _____ 2nd _____ Vote _____.

PUBLIC COMMENTS

BOARD MEMBERS COMMENTS

ADJOURNMENT

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE
DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY
STAFF REPORT**

To: Honorable Chair & Board Committee
From: Curtis Yakimow, Director of Administrative Services
Date: August 27, 2012
For Board Meeting: August 31, 2012

Subject: ABx1 26 and AB 1484 Update

Recommendation: That the Oversight Board receive the ABx1 26 and AB 1484 verbal update from staff and approve the resolution adopting the administrative budget for the Successor Agency for the 2012-13 fiscal year.





Order of Procedure:

- Staff Report
- Public Comment
- Questions of Staff
- Board Discussion
- Motion/Second
- Discussion on Motion
- Roll Call vote

Background/Discussion:

The Redevelopment Dissolution Act, ABx1 26, signed by the Governor in June 2011, was upheld by the California Supreme Court on December 29, 2011. The Court set the date of February 1, 2012, for dissolution of all California redevelopment agencies. The Town has elected to serve as the Successor Agency to the dissolved Yucca Valley Redevelopment Agency. The Dissolution Act requires that each successor agency have an Oversight Board. The Oversight Board to the Successor Agency to the former Yucca Valley Redevelopment Agency was convened on Friday April 13, 2012.

As part of the FY 2012-13 State budget, AB 1484 was passed. The clean-up legislation provides changes which are primarily technical in nature and are focused toward reconciling the various schedules of revenues and expenditures issued from the County Auditor/Controller/Recorder's office, the successor agencies, and the Department of Finance. Staff will provide a verbal update of these and other activities, and the impact to the Successor Agency and others.

Reviewed By:	 Town Manager	 Town Attorney	 Mgmt Services	 Dept Head
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<input checked="" type="checkbox"/> Department Report	<input type="checkbox"/> Ordinance Action	<input checked="" type="checkbox"/> Resolution Action	<input type="checkbox"/> Public Hearing
<input type="checkbox"/> Consent	<input type="checkbox"/> Minute Action	<input checked="" type="checkbox"/> Receive and File	<input type="checkbox"/> Study Session

Finally, as part of the requirements of ABx1 26, the Successor Agency is responsible for the preparation of an administrative budget for the fiscal year. While the Agency can identify any number of expenditures, the administrative budget is limited by ABx1 26 to \$250,000 annually. For the Agency, the direct labor budget is approximately \$200,000, with \$50,000 remaining for legal, accounting, and other miscellaneous administrative expenditures.

Attachments: AB 1484 Summary by goldfarb & lipman llp
Housing Asset Transfer Document
Budget Resolution FY 2012-13 Adopted Budget Package
FY 2012-13 Adopted Budget Package

OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE DISSOLVED YUCCA VALLEY
REDEVELOPMENT AGENCY

REGULAR MEETING

AUGUST 31, 2012

ABx1 26 and AB 1484 Update

AB 1484 SUMMARY

goldfarb
lipman
attorneys

Oakland Los Angeles San Diego

SUMMARY OF AB 1484:
REDEVELOPMENT
DISSOLUTION/ UNWIND
TRAILER BILL

JUNE 29, 2012

*The laws described below could be impacted by future cleanup legislation.
Goldfarb & Lipman intends to update this summary as appropriate, but please
contact us to get the most up-to-date information on the status and content of this
legislation.*

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Table of Contents

PART I INTRODUCTION AND BACKGROUND 1

 A. Introduction; Purpose of Summary 1

 B. Overview of Dissolution Act 2

PART II. SUMMARY OF AB 1484 2

 A. Affordable Housing 3

 1. Definition of Housing Assets 3

 2. Transfer of Housing Assets 5

 3. Use of Excess Housing Bond Proceeds 5

 4. Low and Moderate Income Housing Asset Fund 6

 5. Continuation of Community Redevelopment Law Housing
 Obligations 6

 6. Housing Successors 7

 B. Successor Agency and Oversight Board Issues 7

 1. Successor Agency Legal Status 7

 2. Successor Agency Roles, Limitations, and Funding 8

 3. Oversight Board Composition and Roles 10

 C. Enforceable Obligations and ROPS Issues 11

 1. Enforceable Obligations 11

 2. Recognized Obligation Payment Schedules 13

 D. Flow of Funds and Financial Issues 15

 1. Near Term Payments To Taxing Entities 15

 2. Unencumbered Funds Remittance; Finding of Completion 17

 3. County Auditor-Controller Responsibilities; Redevelopment
 Property Tax Trust Fund Distribution Issues 21

 4. Reversal of Certain Successor Agency/Sponsoring Community
 Transactions 23

 5. Refunding Bonds 23

 E. Potential Local Benefits of AB 1484 24

 1. Property Disposition 24

 2. Sponsoring Community Loans 25

 3. Bond Proceeds 26

 F. Other Provisions 26

 1. Economic Development Corporations 26

 2. RDA Land Use Functions 27

 3. Statute of Limitations 27

 4. Validation Action Notices and Venue 27

 5. Post-Suspension Actions 27

 6. DOF Budget and Consultants 28

PART III. AB 1484 MILESTONES ACTIONS 28

**SUMMARY OF AB 1484:
REDEVELOPMENT DISSOLUTION/UNWIND TRAILER BILL**

**PART I.
INTRODUCTION AND BACKGROUND**

A. Introduction; Purpose of Summary.

ABx1 26 (the "Dissolution Act") was enacted in late June 2011 as part of the FY 2011-12 state budget package and was held by the California Supreme Court to be largely constitutional on December 29, 2012. Under the Dissolution Act, each of California's redevelopment agencies (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the cities, counties, and city and county that formed the Dissolved RDAs, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDAs.

As part of the FY 2012-13 state budget package, on June 27, 2012, the Legislature passed and the Governor signed AB 1484, the primary purpose of which is to make technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing that act. As a budget "trailer bill," AB 1484 took immediate effect upon signature by the Governor.

AB 1484 will require those involved in the redevelopment unwind process to learn and implement some significant new rules of conduct just as they were beginning to adapt to and implement the complex rules mandated by the Dissolution Act itself. The purpose of this Summary is to highlight the key elements of AB 1484 for those involved in the redevelopment unwind process. Following a background synopsis of the Dissolution Act in this Part I, Part II of the Summary describes key features of AB 1484, while Part III provides a checklist Summary of major new upcoming milestones mandated by AB 1484.

We recommend particular attention to the Part III milestones checklist, as AB 1484 has added significant new or modified actions and deadlines, with major compliance consequences, that need to be implemented in the very near future and throughout the Summer and Fall of 2012.

Because AB 1484 was enacted less than two days after it first appeared in bill form, there has been no time for questions of interpretation and practice to be carefully evaluated by state and local officials charged with the redevelopment unwind process. Consequently, the highlights presented in this Summary represent a good faith initial understanding of the meaning and intent of AB 1484, with the expectation and plan that this Summary will be updated from time to time as further consideration and practice shed light on the proper interpretation of various elements of the bill. Please visit our website at www.goldfarblipman.com to review future updates of this Summary.

This document is a summary of complex legislation. Reference should be made to the actual statutory language before making decisions or taking actions pursuant to AB 1484. Unless otherwise noted, section references in this Summary are to sections of the Health and Safety Code as added or amended by AB 1484. Reference to a "Part" is to the referenced Part of this Summary.

B. Overview Of Dissolution Act.

Under the Dissolution Act:

1. The authority of Dissolved RDAs to undertake most new activities was suspended as of the effectiveness of the Dissolution Act.

2. Each Dissolved RDA went out of existence on February 1, 2012.

3. A successor agency (a "Successor Agency") was created for each Dissolved RDA and charged with winding down the Dissolved RDA's affairs, including making payments due for enforceable obligations (as defined in the Dissolution Act), performing obligations required pursuant to enforceable obligations, disposing of the Dissolved RDA's assets (other than housing assets), and remitting unencumbered balances of the Dissolved RDA to the county auditor-controller (the "CAC") for distribution to the affected taxing entities. Except for certain housing assets, the assets of the Dissolved RDA transferred to the Successor Agency for this unwinding process.

4. For all but eight of California's Dissolved RDAs, the city, county, or city and county that had formed the Dissolved RDA (the "Sponsoring Community") elected to take on the role of Successor Agency for its Dissolved RDA.

5. Housing assets (other than unencumbered fund balances in the Dissolved RDA's Low and Moderate Income Housing Fund (the "LMIHF") at the time of dissolution, which were instead transferred to the Successor Agency), housing obligations and housing functions of the Dissolved RDA were transferred to a designated housing successor entity (the "Housing Successor"), which in most cases is the Sponsoring Community (and in a limited number of cases is a local housing authority).

6. The CAC is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. Semiannually, the CAC is required to make distributions from the RPTTF (a) to the affected taxing entities in the amount of the pass-through payments they would have received had the Dissolved RDA not been dissolved, (b) to the Successor Agency to pay amounts due on enforceable obligations for the upcoming six-month period, and (c) to various entities for specified administrative costs. Any amount left in the RPTTF after each semiannual distribution for the above purposes is distributed by the CAC to the affect taxing entities as normal property taxes.

7. An oversight board (the "Oversight Board") is established for each Successor Agency to approve specified actions and direct specified activities of the Successor Agency.

8. A recognized obligation payment schedule is prepared by the Successor Agency and approved by the Oversight Board setting forth the amounts due for each enforceable obligation during each six-month period (each, a "ROPS"). The Successor Agency is limited to making payments for items shown on an approved ROPS (except that, pending effectiveness of the first ROPS, a Successor Agency is authorized to make payments for amounts on an Enforceable Obligation Payment Schedule (the "EOPS") prepared by the Dissolved RDA prior to dissolution, and subject to update by the Successor Agency).

9. The Department of Finance (the "DOF") and the State Controller's office (the "SCO") are given specified review and approval responsibilities and are assigned certain other tasks in connection with the redevelopment dissolution and unwind process under the Dissolution Act.

PART II.
SUMMARY OF AB 1484

A. Affordable Housing.

AB 1484 significantly modifies and provides some clarifications to the treatment of housing assets under the Dissolution Act. Specifically, AB 1484 now includes a definition of housing assets, sets forth explicit procedures with respect to transfer of housing assets which must occur by August 1, 2012, provides some greater flexibility and procedural steps regarding the use of housing bond proceeds, establishes a new Low and Moderate Income Housing Asset Fund (the "Housing Asset Fund") to be administered by the Housing Successor, and clarifies that no future deposits are required to be made to the LMHF.

1. Definition of Housing Assets. Section 34176(e) sets forth a list of assets that are considered housing assets. This is important because the Dissolution Act, as modified by AB 1484, treats both the Housing Successor and housing assets with more flexibility than the Successor Agency and non-housing assets. The list of housing assets in AB 1484 significantly expands the limited list of housing assets announced in the DOF Housing Frequently Asked Questions issued earlier this year (the "Housing FAQs"), due in large part to the efforts of several housing policy groups. The list of housing assets includes the following:

a. Real Property Assets. Housing assets include any real property, interest in, or restriction on the use of real property, whether improved or not, and any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low- and moderate-income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds.

b. Encumbered Funds. Housing assets include any funds that are encumbered by an enforceable obligation to build or acquire low- and moderate-income housing,

as defined by the Community Redevelopment Law unless required in the bond covenants to be used for repayment purposes of the bond.

c. Loan or Grant Receivables. Housing assets include any loan or grant receivable, funded from the LMIHF, from homebuyers, homeowners, nonprofit or for-profit developers, and other parties that require occupancy by persons of low or moderate income as defined by the Community Redevelopment Law.

d. Rents and Payments from Operations. Housing assets include any funds derived from rents or operation of properties acquired for low- and moderate-income housing purposes by other parties that were financed with any source of funds, including residual receipt payments from developers, conditional grant repayments, cost savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

e. Rent and Payments from Operations Used to Maintain Affordability or for Affordable Housing-Related Enforceable Obligations. Housing assets include a stream of rents or other payments from housing tenants or operators of low- and moderate-income housing financed with any source of funds that are used to maintain, operate, and enforce the affordability of housing or for enforceable obligations associated with low- and moderate-income housing.

f. Amounts Owed to LMIHF. Repayment of amounts previously borrowed from, or owed to, the LMIHF (i.e. to make Supplemental Educational Revenue Augmentation Fund ("SERAF") payments in prior years), repayment of which had been deferred as of the effective date of the Dissolution Act, are considered housing assets. The repayments can only be made pursuant to a schedule that must be approved by the Oversight Board. The repayments cannot start before FY 2013-14 and the maximum annual repayment is strictly limited by statutory formula. The repayments related to the SERAF (as opposed to other amounts owed to the LMIHF for other reasons) must be made before specified loan repayments to the Sponsoring Community that are described in Part II.E.2.

g. Mixed Use Assets. If a development includes both affordable housing and other types of property, the Oversight Board determines if this mixed use property should remain intact or be split into affordable housing and non-affordable housing components. AB 1484 leaves to the Oversight Board (subject to the DOF review) the decision on whether to make an allocation and, if so, how to accomplish this allocation. The legislation directs the Oversight Board to consider the overall value to the community as well as the benefit to taxing entities of keeping the mixed use development intact or dividing the property in making its decision. The legislation also provides that the disposition of mixed assets may be accomplished by a revenue-sharing arrangement as approved by the Oversight Board on behalf of the taxing entities.

h. Housing Bond Proceeds. Housing bond proceeds from bonds issued prior to January 1, 2011 for affordable housing purposes and secured by a pledge of LMIHF, remaining after satisfaction of enforceable obligations approved on a ROPS (the "Excess Housing Bond Proceeds"), are considered housing assets. The legislation provides that an enforceable obligation may be satisfied by creation of reserves, for projects which are the subject

of that enforceable obligation, consistent with the contractual obligations for the project, or by expending funds to complete that project. See discussion in Part II.A.3 below regarding new process for use of Excess Housing Bond Proceeds.

i. Exclusion of Unencumbered LMIHF Balance. AB 1484 does not change the Dissolution Act treatment of the amounts in the LMIHF balance that were not encumbered by an enforceable obligation as of the effective date of the Dissolution Act. Those funds are to be distributed to the taxing entities pursuant to new audit and review procedures, described in Part II.D.2, and not retained by the Housing Successor for affordable housing uses.

2. Transfer of Housing Assets. AB 1484 sets forth an explicit schedule related to the verification of housing assets transferred to the Housing Successor (Section 341676(a)(2)). By August 1, 2012, the Housing Successor is required to submit a list of all housing assets to the DOF in a format to be prescribed by the DOF. The list must include an explanation of why each asset qualifies as a housing asset, and include a list of assets that transferred between February 1, 2012 (when presumably all housing assets of a Dissolved RDA transferred to the Housing Successor by operation of law pursuant to 34176(a)(1)), and the date the list is made. The DOF has thirty (30) days after receipt of the housing asset list to object to any item on the list. The Housing Successor may request a meet and confer process with the DOF within five (5) business days of receiving any objection from the DOF. There is no timeframe set forth for completing this meet and confer process. Any asset ultimately determined not to be a housing asset is to be returned to the Successor Agency and is subject to clawback by the SCO under Section 34178.8 if not returned. Assets determined to be housing assets under this procedure are not subject to clawback by the SCO under Section 34178.8. The Successor Agency may retain a housing asset, and not transfer it to the Housing Successor, if that asset was previously pledged to pay bonds.

For the transfer of a housing asset that occurs after the date of the list, Sections 34181(c) and (f) provide that an Oversight Board must direct the transfer of housing assets after a 10-day public notice and the DOF then has five business days to review the proposed transfer with the option to extend the review period to up to 60 days. One possible example of this type of future transfer is a property acquired with LMIHF monies, which is in the process of undergoing Polanco Act clean-up and will transfer to the Housing Successor only upon completion of the remediation.

3. Use of Excess Housing Bond Proceeds. After the passage of the Dissolution Act, many practitioners considered any housing bond proceeds not yet committed to a specific project as housing assets to be used by the Housing Successor pursuant to the applicable bond documents with no oversight. AB 1484 significantly changes that practice.

Under Section 34176(g), the Housing Successor can use the Excess Housing Bond Proceeds (defined in subsection 1.h above) only after the following steps and approvals:

a. The Housing Successor must notify the Successor Agency of the intended use or commitment of Excess Housing Bond Proceeds at least twenty (20) days before the deadline to submit the ROPS to the Oversight Board.

b. The Successor Agency must list the proposed expenditure of Excess Housing Bond Proceeds as a separate line item on the ROPS prepared by the Successor Agency.

c. The Oversight Board must approve use of the Excess Housing Bond Proceeds on the ROPS.

d. The usual review period for the ROPS must be completed without objection to the use of the Excess Housing Bond Proceeds by the DOF, the CAC and the SCO.

e. Any review by the Successor Agency, Oversight Board and the DOF is limited to a determination that the use is consistent with the bond covenants and that sufficient funds are available.

f. No commitment or designation of use of the Excess Housing Bond Proceeds is valid until it is included on an approved and valid ROPS.

The Excess Housing Bond Proceeds must be used in a manner consistent with the purposes of the Housing Asset Fund (see subsection 4 below). The Successor Agency shall retain and expend the Excess Housing Bond Proceeds at the discretion of the Housing Successor; provided the Successor Agency ensures that the proceeds are expended in a manner consistent with the bond documents and any requirement relating to tax-exempt status of the bonds. The amount of the expenditures cannot exceed the amount of proceeds available.

4. Low and Moderate Income Housing Asset Fund. The Housing Successor must now create a new type of fund called the Low and Moderate Income Housing Asset Fund (the "Housing Asset Fund") in its accounting records pursuant to Section 34176(d). If the Housing Successor assumed the housing function of a Dissolved RDA with multiple projects areas, we suggest that the Housing Successor also account for the funds in the Housing Asset Fund on a project area basis for purposes of making applicable findings required under the Community Redevelopment Law. Any funds generated from housing assets (also known as program income by practitioners) and any funds transferred to the Housing Successor pursuant to the transfer provisions discussed in subsection 2 above (such as encumbered LMIHF monies) are required to be placed in the Housing Asset Fund. All payments made to repay amounts previously borrowed from, or owed to, the LMIHF, as of the effective date of the Dissolution Act, shall be placed in the Housing Asset Fund. In addition, twenty percent (20%) of all loan repayments made to the Sponsoring Community on loans described in Part II.E.2 will be deducted from those repayments and transferred to the Housing Asset Fund. All monies in the Housing Asset Fund must be used in accordance with the applicable housing-related provisions of the Community Redevelopment Law. This is a substantial change from the Housing FAQs and will provide a limited but on-going source of funds for low and moderate income housing activities in many communities.

5. Continuation of Community Redevelopment Law Housing Obligations. AB 1484 makes clear that no future deposits are required to be made to the LMIHF despite the assertion to the contrary by some housing advocacy groups. The legislation appears to make this requirement effective as of the effective date of the Dissolution Act therefore causing some ambiguity about whether LMIHF deposits were required for tax increment distributions made to Dissolved RDAs in December 2011 and January 2012.

AB 1484 fails to clearly address whether there are any continuing requirements with regard to redevelopment housing production and replacement housing obligations although the DOF has taken the position that those are no longer applicable except perhaps in the case of enforceable obligations. This may be an area for clean-up legislation in the future.

6. Housing Successors. AB 1484 clarifies many questions regarding affordable housing roles of the Housing Successor in the post- redevelopment era. However, some issues are not resolved. For instance, what happens in situations where the Sponsoring Community elects not to serve as the Housing Successor and the local housing authority also declines to take on that responsibility? Such a situation leaves the housing assets in limbo to the great distress, for instance, of a homeowner trying to refinance a home purchased under a first-time homebuyer program funded from LMIHF monies. Some practitioners had hoped AB 1484 would address this situation more directly. Presumably, the reluctance to act as the Housing Successor in those situations will be alleviated by the revised treatment of housing assets in AB 1484, which allows some flow of funds to the Housing Successor. However, further legislation may be required to address these situations, in particular, funding of administrative costs for Housing Successors where there is no stream of income derived from the Dissolved Agency's housing assets.

B. Successor Agency and Oversight Board Issues.

1. Successor Agency Legal Status. Under the Dissolution Act, the term "successor agency" was defined to refer to the Dissolved RDA's Sponsoring Community (the city, county or city and county that formed the Dissolved RDA), unless that Sponsoring Community adopted a resolution electing not to serve in that capacity. AB 1484 redefines "successor agency" to mean the successor entity to the Dissolved RDA pursuant to Section 34173.

Further, AB 1484 declares that "a successor agency is a separate legal entity from the public agency that provides for its governance," but then fails to directly address the relationship between the Successor Agency and that public agency that does provide for its governance. It appears that what AB 1484 is trying to establish is that: (a) unless the Sponsoring Community elected otherwise, the Sponsoring Community's governing body (e.g., city council or board of supervisors) and staff serve as the governing body and staff of the Successor Agency; but (b) the Successor Agency itself is a separate legal entity from the Sponsoring Community. AB 1484's apparent attempt to accomplish this result is ambiguous and imperfect at best.

As a separate legal entity, the Successor Agency will not merge with the public agency that provides for the Successor Agency's governance (Section 34173(g)). The Successor Agency retains the liabilities of the Dissolved RDA, as those do not transfer to the Dissolved RDA's Sponsoring Community (Section 34173(g)). The Successor Agency can sue and be sued in its own name (Section 34173(g)), and all litigation involving the Dissolved RDA is automatically transferred to the Successor Agency (Section 34173(g)).

The Successor Agency "retains" a separate collective bargaining status and the Dissolved RDA's employees do not automatically become employees of the Sponsoring Community (by

virtue of the Sponsoring Community's election to serve as the Successor Agency) (Section 34173(g)).

The Successor Agency succeeds to the organizational status of the Dissolved RDA but lacks the legal authority to participate in redevelopment activities except to complete work on enforceable obligations (Section 34173(g)).

AB 1484 further affirms that the Successor Agency is deemed to be a local public entity subject to the Ralph M. Brown Act (Section 34173(g)).

AB 1484 provides an opportunity for a Sponsoring Community that initially elected not to serve as a Successor Agency to reverse its decision and agree to serve as the Successor Agency (Section 34173(d)(4)). AB 1484 does not include a provision for a Sponsoring Community that initially elected to serve as a Successor Agency to later reverse the election and determine to no longer serve as the Successor Agency.

Although AB 1484 establishes the separate legal status of the Successor Agency and continues to limit the liability of the Successor Agency to the total sum of property tax revenues it receives pursuant to the Dissolution Act and the value of assets transferred to it (Section 34173(e)), several provisions of AB 1484 expose the Dissolved RDA's Sponsoring Community to penalties and other liabilities for the actions and inactions of the now separate and distinct legal entity that is the Successor Agency (see Part II.D.1. and 2. for additional discussion).

AB 1484 also provides that the Successor Agency is included in the definition of a "local public entity" required to participate in a neutral evaluation process pursuant to Government Code Section 53760.3 prior to filing a petition for federal bankruptcy.

2. Successor Agency Roles, Limitations, and Funding.

a. Authorized Activities. In addition to the activities authorized under the Dissolution Act, AB 1484 clarifies the authority of a Successor Agency to conduct certain activities, and also authorizes a Successor Agency to perform activities not previously authorized under the Dissolution Act.

AB 1484 clarifies that a Successor Agency may assume existing cleanup plans and liability limits under the Polanco Redevelopment Act¹ (Section 34173(f)), which was previously understood by most practitioners to be the legislative intent, but not expressly stated in the Dissolution Act.

In addition to previous authority granted under Section 34180(c), under AB 1484 a Successor Agency is authorized to hold reserves when required by bond indenture or when the next property tax allocation from the RPPTF will be insufficient to pay all bond debt obligations due in the following six-month period (Section 34171(d)(1)(A)).

¹ The existing cleanup plans and liability limits may also be transferred to the Housing Successor at that entity's request.

AB 1484 also more clearly sets forth a Successor Agency's authority to create enforceable obligations to conduct wind-down activities of the Dissolved RDA, such as hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance (Section 34177.3(b)).

Under AB 1484, a Successor Agency can, subject to Oversight Board approval, also enter into contracts, that will constitute enforceable obligations, with the Sponsoring Community to borrow from the Sponsoring Community to assist a Successor Agency to fund shortfalls for Successor Agency administrative costs, enforceable obligations, or project-related expenses (Section 34173(h)).

b. Annual Audit. A Successor Agency must also cause a certified public accountant to conduct a post-audit of a Successor Agency's financial transactions and records at least once annually (Section 34177(n)). AB 1484 is unclear on whether the cost of such post-audits may be shown as a separate enforceable obligation line item on a ROPS.

c. Additional Limitation on Activities. AB 1484 provides that a Successor Agency lacks the authority to enter into new enforceable obligations under the applicable portions of the Dissolution Act or begin new redevelopment work, except to comply with enforceable obligations that existed prior to June 28, 2011 (Section 34177.3(a)).

A Successor Agency has no authority and is prohibited from transferring any powers or revenues of a Successor Agency to any other party (public or private) except pursuant to an enforceable obligation listed on a DOF-approved ROPS (Section 34177.3(c)).

Under the Dissolution Act, a Successor Agency was authorized, with the approval of its Oversight Board, to re-enter into agreements with its Sponsoring Community pursuant to Section 34178(a) and Section 34180(h). AB 1484 narrows this authority, by providing that neither the Successor Agency or its Oversight Board has authority to restore funding for an enforceable obligation between a Successor Agency and the Sponsoring Community if the enforceable obligation was deleted or reduced by the DOF pursuant to Section 34179(h) (unless allowed as a result of the meet and confer process with the DOF, required by court order, or pursuant to new authority created by AB 1484 for certain Successor Agency/Sponsoring Community contracts as fully discussed in Part II.E.2 (Sections 34178(a); 34180(a), and 34180(h)).

d. Successor Agency Administrative Costs. The Dissolution Act established an administrative cost allowance for each Successor Agency, but did not specify which costs of a Successor Agency must be paid from the administrative cost allowance and which Successor Agency costs could be separately placed on a ROPS for payment in addition to and outside of the administrative cost allowance. AB 1484 only partially fills that void.

AB 1484 states that the administrative cost allowance excludes litigation costs related to assets or obligations, settlements and judgments, and predisposition carrying costs for property transferred to a Successor Agency. Furthermore, AB 1484 clarifies that project-specific employee costs (like employee costs for construction inspection, project management, and actual

construction) are excluded from a Successor Agency's administrative cost allowance. By excluding these costs from the administrative cost allowance, AB 1484 grants express authority to a Successor Agency to separately list enforceable obligations for such costs on a ROPS for payment in addition to and outside of the administrative cost allowance.

AB 1484 also provides for various mechanisms to reduce a Successor Agency's administrative cost allowance. As more fully discussed in Section II.B.3, the Oversight Board is authorized to reduce the administrative cost allowance below the \$250,000 annual minimum required under the Dissolution Act (Section 34171(b)). Additionally, upon failure by a Successor Agency to submit a ROPS by October 14 and March 13 of each year, the maximum administrative cost allowance for the fiscal year can be reduced by 25% (Section 34177(m))².

e. Wind-Down of a Successor Agency. When all debts of the Dissolved RDA are retired or paid off, a Successor Agency is required to dispose of all remaining assets and terminate its existence within one year of the final debt payment (Section 34187(b)). AB 1484 is silent on which entity a Successor Agency is allowed to transfer its remaining assets to, how that transfer should be effectuated, or if the Oversight Board has a role in the process of terminating a Successor Agency's existence. Also unclear is what becomes of a Successor Agency's non-monetary obligations or duties.

3. Oversight Board Composition and Roles.

a. Composition. AB 1484 makes modifications to the determination of the members of the Oversight Board. Under the Dissolution Act, one member of the Oversight Board is to be selected by the largest special district, by property tax share, with territory in the territorial jurisdiction of the Dissolved RDA. Disputes arose in several jurisdictions related to making that determination and the Dissolution Act did not provide for an arbiter of the dispute. Under AB 1484, the CAC is given the authority to determine which special district is the largest special district, by property tax share, with territory in the territorial jurisdiction of the Dissolved RDA (Section 34179(a)(3(B))).

The Dissolution Act required that one Oversight Board member, representing the employees of the Dissolved RDA, be selected from the recognized employee organization representing the largest number of Dissolved RDA employees employed by a Successor Agency. AB 1484 clarifies that in the case where city or county employees performed the administrative duties of the Dissolved RDA, the appointment to the Oversight Board under 34179(a)(7) is to be made from the recognized employee organization representing the city or county employees that performed the administrative duties of the Dissolved RDA (Section 34179(a)(7)). AB 1484 further clarifies that no conflict of interest exists (under Government Code Section 1090) when the Oversight Board member, employed by a Successor Agency or the Sponsoring Community and appointed pursuant to Section 34179(a)(7), votes to approve a contract as an enforceable obligation (Section 34179(a)(7)).

² For the ROPS covering January 1, 2013 through June 30, 2013 this date is September 10.

b. Staffing. Under the Dissolution Act, a Successor Agency is charged with providing staffing to its Oversight Board. Under AB 1484, the Oversight Board can direct a Successor Agency to provide additional legal or financial advice independent from a Successor Agency staff (Section 34179(n)) and the Oversight Board is also authorized to contract with the county or other public or private agency for administrative support (Section 34179(o)).

c. Powers. Under the Dissolution Act, a Successor Agency was guaranteed an administrative cost allowance of not less than \$250,000 for each fiscal year. Under AB 1484, the Oversight Board may reduce a Successor Agency's administrative cost allowance below the \$250,000 statutory minimum (Section 34171(b)).

AB 1484 further provides that Oversight Board decisions on matters within its purview supersede decisions of a Successor Agency or Successor Agency staff (Section 34179(p)).

d. Immunities. Oversight Board members have the same immunities applicable to public entities and public employees (Section 34179(d)) when exercising the authority granted to the Oversight Board under the Dissolution Act and AB 1484.

e. Review of Oversight Board Actions. AB 1484 requires that all actions taken by an Oversight Board be adopted by resolution (Section 34179(e)). A Successor Agency must notify the County Administrative Officer, the CAC, and the DOF, at the same time the Successor Agency transmits a proposed action to the Oversight Board for its approval (Section 34180(j)).

All actions taken by an Oversight Board require transmittal of notice to the DOF by electronic means in a manner of the DOF's choosing. Under the Dissolution Act, the DOF had a period of three business days to request review of Oversight Board actions. AB 1484 extends that time for the DOF to request review of an action to five business days (Section 34179(h)). Actions of the Oversight Board are deemed effective if the DOF does not request a review within five business days of receipt of the notice by the DOF. If the DOF requests a review of a particular Oversight Board action, the DOF has 40 calendar days to approve the action or return it to the Oversight Board for its reconsideration, giving the DOF an additional 30 days to review actions of the Oversight Board beyond the deadline originally in the Dissolution Act. For Oversight Board actions taken pursuant to Sections 34181(a) and (c) related to the disposition of real property and to housing assets, the DOF may extend the review period to 60 calendar days (Section 34181(f)). As discussed in Part II.C.2.c, a slightly different review period applies to the DOF's review of a ROPS.

C. Enforceable Obligations and ROPS Issues.

1. Enforceable Obligations. AB 1484 contains numerous substantive changes to the definition of the term "enforceable obligation."

In recognition of the timing issues related to the implementation of the Dissolution Act, under AB 1484, a Successor Agency is granted authority to amend the EOPS to authorize

continued payments on enforceable obligations until the ROPS covering the period from January 1, 2012 through June 30, 2012 has been approved by the Oversight Board and the DOF (Section 34177(a)(1)-(2)). AB 1484 also deletes the prohibition on making payments on enforceable obligations after May 1, 2012 unless a ROPS was approved by the Oversight Board and the DOF and certified by the CAC. Instead, under AB 1484, a Successor Agency is allowed to make payments on enforceable obligations listed on the EOPS through the date that the initial ROPS is approved by the Oversight Board and the DOF, erasing any uncertainty for payments made after May 1, 2012 but before the ROPS was approved by the DOF, which for most agencies did not occur until later in May.

AB 1484 clarifies that costs incurred to comply with collective bargaining agreements for layoffs or terminations of employees that performed work for the Dissolved RDA are payable for any employees to whom the obligations apply (Section 34171(d)(1)(C)). If an employee is transferred to the Housing Successor, a Successor Agency is authorized to enter into a contract with the Housing Successor to reimburse the Housing Successor for any costs of the employee obligations, and that contract will constitute an enforceable obligation of the Successor Agency (Section 34171(d)(1)(C)).

AB 1484 clarifies that contracts for the administration or operation of the Successor Agency, including agreements concerning litigation expenses related to assets or obligations, settlements and judgments, and predisposition asset carrying costs, are enforceable obligations of the Successor Agency (Section 34171(d)(1)(F)).

Contrary to published interpretations of the Dissolution Act posted by the DOF, AB 1484 establishes that amounts borrowed from and payments owing to the LMIHF (including SERAF loans) are enforceable obligations and are payable to the Housing Successor (Section 34171(d)(1)(G)) (see further discussion in Part II.A.1.f).

As discussed in other sections of this Summary, AB 1484 also allows a Successor Agency, subject to Oversight Board approval, to enter into an enforceable obligation whereby a Successor Agency borrows money from the Dissolved RDA's Sponsoring Community for administrative costs, enforceable obligations, or project-related expenses at the Sponsoring Community's discretion (Section 34173(h));³

AB 1484 also purports to retroactively declare as non-enforceable any contract entered into by a redevelopment agency after June 27, 2011 (Section 34177.3(d)). (See more detailed discussion in Part II.F.5.)

2. Recognized Obligation Payment Schedules.

AB 1484 makes several changes to the process and timing for preparation and approval of each ROPS.

³ Technically, Section 34173(h) only gives authority to a city, not a county, to make such a loan, although there does not appear to be any policy reason why the Legislature would intend such a distinction.

a. Changes to the Initial ROPS (For the Period Ending June 30, 2012). AB 1484 deletes the requirement that the initial ROPS be certified by the CAC before it can take effect (Section 34177(l)(2)(A)). AB 1484 also reforms dates and payment requirements in the initial ROPS to reflect delays in implementing the Dissolution Act caused by litigation (i.e. a new requirement that the initial ROPS specify January payments and estimate payments through June 30, 2012). AB 1484 states that the Initial ROPS takes effect once it has been approved by the Oversight Board and the DOF.

b. Schedule for Adoption of ROPS. AB 1484 establishes a schedule for adoption of the ROPS for the period ending June 30, 2013 (the “Third ROPS”) and all subsequent ROPS.

Although the schedule previously distributed by the DOF indicated that a Successor Agency and its Oversight Board would have until October 1, 2012 to approve the Third ROPS, under AB 1484 a Successor Agency is required to submit to the DOF and the CAC the Third ROPS, approved by the Oversight Board, no later than September 1, 2012.

The DOF will require that the ROPS be completed on a DOF-approved form. Moreover, AB 1484 now requires the Successor Agency staff to submit an electronic copy of the ROPS to the county administrative officer, the CAC, and the DOF at the same time as the proposed ROPS is submitted to the Oversight Board for approval (Section 34177(l)(2)(B)).

Beginning with the fourth ROPS (for the period ending December 31, 2013), a Successor Agency will be required to submit an Oversight Board approved ROPS to the CAC and the DOF no fewer than 90 days prior to the semiannual RPTTF property fund distribution (or October 4 for the January 2 distribution and March 3 for the June 1 distribution) (Section 34177(m)). If a Successor Agency fails to timely submit an Oversight Board approved ROPS within the specified deadlines, AB 1484 gives standing to creditors of a Successor Agency, the DOF and affected taxing entities to file suit for writ of mandate to compel a Successor Agency to adopt a ROPS (Section 34177(m)), and exposes the Successor Agency to additional penalties described below.

c. Review of ROPS. AB 1484 greatly expands this review period and authority of the DOF and significantly changes the ROPS review and approval process. Under the Dissolution Act, the DOF had a period of three business days to request a review of an enforceable obligation listed on a ROPS. AB 1484 extends the deadline to request review to five business days. It is presumed, pursuant to Section 34179(h) that if the DOF does not request a review of any items listed on a ROPS within the five business day review period, the ROPS will be deemed effective. The CAC’s role in review of the ROPS is discussed in more detail in Part II.D.3.

Under AB 1484, the DOF is required to make its determination “of the enforceable obligations and the amounts and funding sources of the enforceable obligations” no later than 45 days after the ROPS has been submitted by a Successor Agency. The addition of Section 34177(m) appears to give the DOF authority not only to determine what constitutes an enforceable obligation, but also provides the additional authority to determine the amount and

funding source to meet enforceable obligations. Furthermore, amendments to Section 34179(h), give the DOF the authority to eliminate or modify any item on the ROPS being reviewed under Section 34179 prior to DOF approval (Section 34179(h)). In some respects, these changes appear to provide statutory authority for practices the DOF had already assumed for itself in the first and second ROPS reviews.

A Successor Agency may request additional review by the DOF and an opportunity to meet and confer on disputed items, but such a request must be made within five business days of the Successor Agency's receipt of a DOF determination (Section 34177(m)). The DOF is then required to notify a Successor Agency and the CAC of its review at least 15 days before the date of the property tax distribution (by December 18 for the January 2 distribution and May 17 for the June 1 distribution).

A Successor Agency and Oversight Board may approve amendments to a ROPS to reflect the resolution of a dispute between the DOF and a Successor Agency, but such amendments will not effect a past allocation of property taxes or create a liability to any affected taxing entity with respect to past allocations (Section 34179(h)).

d. Penalties. Failure to approve and submit a timely ROPS may result in the assessment of various penalties to a Successor Agency and/or to the Sponsoring Community.

If a Successor Agency does not timely submit a ROPS pursuant to the deadlines set forth in AB 1484, the Sponsoring Community may be subject to a \$10,000 per day civil penalty for each day the ROPS is delinquent. In addition, failure of a Successor Agency to submit a ROPS within 10 days of the deadline (by October 14 for the January 2 distribution and March 13 for the June 1 distribution)⁴ may result in a 25% reduction of a Successor Agency's maximum administrative cost allowance for the period covered by the delinquent ROPS (Section 34177(m)(2)).

If a Successor Agency fails to submit an Oversight Board approved ROPS pursuant to the requirements of AB 1484 within five business days after the April 1 and October 1 dates on which the CAC releases the estimated property tax allocations from the RPTTF, the DOF may determine if any amount should be withheld to pay enforceable obligations (Section 34177(m)(3)). Funds withheld pursuant Section 34177(m)(3) are to be distributed to affected taxing entities in accordance with Section 34183(a)(4). If the DOF orders the CAC to withhold funds to pay for a Successor Agency's enforceable obligations, those funds will only be disbursed to the Successor Agency pursuant to a ROPS approved by the DOF (Section 34177(m)(3)).

D. Flow of Funds and Financial Issues.

1. Near Term Payments to Taxing Entities. AB 1484 contains provisions that appear to be designed to assure payments are made to the taxing entities in the short term, including payment of the FY 2011-12 pass-through payments and the potential payment of residual

⁴ For the Third ROPS, the date is September 10, 2012.

amounts pursuant to Section 34183(a)(4) for the first ROPS period although there was no distribution from the RPTTF for that period.

a. Fiscal Year 2011-12 Pass-through Payments. AB 1484 adds Section 34184.5 to the Dissolution Act to provide for the payment of the FY 2011-12 pass-through amounts to the taxing entities if such payments were not previously made.

Section 34184.5(a)(1) requires the CAC to make payments to the taxing entities for the FY 2011-12 pass-through amounts that were not previously paid, either by the former Dissolved RDA or by the CAC from the June 1, 2012 distribution from the RPTTF, by reducing the amounts that would be paid to a Successor Agency for enforceable obligations in subsequent distributions from the RPTTF, subject to any subordination of the payments owed to bond debt (as currently allowed pursuant to Section 34183(b)). The CAC will continue to reduce the amounts paid to a Successor Agency from the RPTTF during subsequent distributions until the full amount owed to the taxing entities for the FY 2011-12 pass-through payments have been made. Alternatively, a Successor Agency can use reserve funds to make these payments.

Pursuant to this section, if a Successor Agency did not have sufficient funds to pay the full amount of its pass-through payments for FY 2011-12, the unpaid amount effectively becomes a debt of a Successor Agency with a higher priority for payment from the RPTTF than other enforceable obligations in the next distribution from the RPTTF. The only exception will be if the Dissolved RDA, prior to dissolution, subordinated the pass-through payments to bond debt in which event the bond debt will have priority over the pass-through payments as currently allowed by Section 34183(b).

Under Section 34184.5(a)(2), if the Dissolved RDA did not make the FY 2011-12 pass-through payments but the CAC did, the CAC can offset up to one-half of the amount the CAC paid from the next distribution from the RPTTF to the Successor Agency. If the amount distributed to the Successor Agency is not sufficient to make the full deduction of one-half of the amount owed in the next distribution, the CAC is to continue to reduce the amounts allocated to the Successor Agency in subsequent distributions until one-half of the amount paid by the CAC is deducted. The CAC can also accept payments from the Successor Agency's reserve funds to cover the deduction provided for above.

b. Residual Distributions for FY 2011-12. Section 34183.5 also contains procedures for distributing any residual amounts of funds in the RPTTF that would have been available if the Dissolution Act had gone into effect when originally intended. If Dissolved RDAs had been dissolved effective October 1, 2011 under the Dissolution Act as originally set out in the statute (rather than on February 1, 2012 as modified by the Supreme Court), the first distribution from the RPTTF would have been in January 2012 and would have covered the initial ROPS period of January 1, 2012 through June 30, 2012. However, because of the Supreme Court stay, the funds that would have been available for deposit into the RPTTF for the January 2012 distribution were distributed to the Dissolved RDAs late in 2011 and used by most agencies to pay enforceable obligations on the EOPS incurred since July 1, 2011. The purpose

of Section 34183.5(b) appears to be to retroactively undo the Supreme Court stay and attempt expeditiously to collect funds from Successor Agencies⁵.

The provisions of Section 34183.5 require the distribution of residual funds deemed to be owing to the taxing entities from the first ROPS period of January through June 2012. The amounts owed to the taxing entities pursuant to 34183(a)(4) are to be determined based on the initial ROPS approved by the Department of Finance. How the amount is to be determined since there was no distribution from the RPTTF for this period is not explained in the legislation.

If the taxing entities have not received the full amount owed under Section 34183(a)(4) by July 9, 2012, the CAC is to determine the amount, if any, owed by each Successor Agency and demand the funds from the Successor Agency by no later than July 12, 2012. Although this section does not appear to allow for any appeal of the CAC's demand, the DOF assured legislators prior to passage of AB 1484 that the meet and confer provisions elsewhere in the legislation are applicable to this section as well.

If the CAC fails to make the demand by July 9, 2012, the DOF or any affected taxing agency can request a writ of mandate to compel the CAC to make the required determination of the amounts owed. The CAC is subject to penalties of 10% of the amount owed plus 1.5 % of the amount owed to each taxing entity for each month that it fails to perform its duties under this section. Additionally, any county that fails to make the determinations required by July 9, 2012 or fails to distribute the full amount received from the Successor Agencies by July 16, 2012 will not receive the distribution of sales and use tax scheduled for July 18, 2012 or any subsequent sales and use tax distributions up to the full amount owed to the taxing entities.

If the Successor Agency fails to make the payment demanded by the CAC by July 12, 2012, the DOF or any taxing entity can bring a writ of mandate to require the payment. Failure to make the payment will subject the Successor Agency and the Sponsoring Community to penalties of 10% of the amount owed plus 1.5% for each month that the payments are not made. The Successor Agency also cannot make any payment other than bond debt until the amounts owed are paid.

Finally, if the amounts owed are not paid on July 12, 2012, the Sponsoring Community will not receive a distribution of sales and use tax on July 18, 2012 or any subsequent distributions up to the full amount owed to the taxing entities.⁶

2. Unencumbered Fund Remittances; Finding of Completion. Section 34179.5 provides new procedures for reviewing the available cash assets of the Dissolved RDA (the "Review"). This Review is to be conducted by each Successor Agency with the end goal of distributing what are determined to be available cash assets to the taxing entities during FY

⁵ It should be noted that the DOF Exhibit H, *Distribution, Reporting and Transaction Period for the RPTTF*, shows that no residual distribution pursuant to Section 34183(a)(4) is due for the initial ROPS period. This appears to be the logical consequence of the fact that there were no deposits into the RPTTF for this reporting period so distributions of residual amounts appear to be impossible.

⁶ The constitutionality of these offsets is questionable.

2012-13. At the conclusion of the Review, if the Successor Agency remits the cash assets to the CAC, and if the Successor Agency has also made the payments summarized in Part II.D.1, the DOF will issue a finding of completion for the Successor Agency (a “Finding of Completion”). As fully discussed in Part II.E, the issuance of the Finding of Completion makes the Successor Agency eligible to retain Dissolved RDA properties, reinstate loans between the Dissolved RDA and the Sponsoring Community, and spend unspent bond proceeds from bonds issued prior to January 1, 2011 for the purposes for which the bonds were issued (subject to restrictions).

Successor Agencies undertaking the Review will need to proceed carefully in instructing the accountant hired. The Review is governed by definitions contained in Section 34179.5 that are multi-layered and nuanced.

a. Timeline for Review. The Review as it relates to the LMHF must be complete by October 1, 2012. The Review for all other funds must be complete by December 15, 2012.

b. Review Procedures. Section 34179.5 requires each Successor Agency to hire a licensed accountant with experience and expertise in local government accounting to review the unobligated balances available for transfer to the taxing entities. The legislation does not provide any funding source for paying for the accountant and does not indicate whether the costs of the Review are to be covered by the Successor Agency's administrative cost allowance. The selection of the accountant has to be approved by the CAC. Alternatively, an audit conducted by the CAC that provides the required information can be used to comply if the Oversight Board concurs. The nature of the Review differs significantly from the agreed-upon procedure audits currently under way (see further discussion in Part II.D.3), so it is unlikely that the agreed-upon procedures audits will provide the required information. The DOF can specify the form in which the Review is to be provided.

c. Contents of Review. The statute contains specific definitions to be used for purposes of complying with the Review requirement. Proper interpretation of these definitions is essential to ensuring that the Review is conducted correctly. A Successor Agency will want to work closely with the accountant hired to perform the Review on setting the parameters for the Review to ensure correct application.

(1) Enforceable Obligations. For purposes of the Review, “enforceable obligations” are considered primarily to be those contained in the definition of enforceable obligations that applies after dissolution as set forth in Section 34171(d) and thus would exclude most contracts or agreements between the Dissolved RDA and the Sponsoring Community even though under the Dissolution Act those contracts are considered enforceable obligations prior to dissolution (through January 31, 2012). Since the Review covers both pre-dissolution and post-dissolution periods, this definition appears to be a camouflaged attempt to retroactively disallow payments prior to dissolution made by a Dissolved RDA to its Sponsoring Community, even though such payments were valid at the time made.

(2) Cash and Cash Equivalents. For purposes of the Review, “cash and cash equivalents” are defined as cash in hand, bank deposits, LAIF deposits, deposits with

the Sponsoring Community treasury and any other pool, marketable securities, commercial paper, US Treasury bills, banker's acceptances, payables and amounts from other parties and any other money owed by the Successor Agency (presumably this section was intended to mean amounts owed to the Successor Agency).

(3) Transferred. The definition of "Transferred" presents numerous interpretation challenges. As the definition reads: "Transferred means the transmission of money to another party that is not in payment of goods or services or an investment or where the payment is de minimus. Transfer also means where the payments are ultimately merely a restriction on the use of the money" (Section 34179.5(b)(3)). The Review is required to include the dollar value of assets transferred from the Dissolved RDA or the Successor Agency to the Sponsoring Community or any other party. Based on the definition of the term Transferred and Transfer in the statute, it appears that the Review need only cover those instances where assets were transferred without consideration, for investment purposes or pursuant to agreements that merely restricted the use of the money.

The Review is required to include all of the following:

- The dollar value of assets transferred from the Dissolved RDA to the Successor Agency upon dissolution;
- The dollar value of assets and cash and cash equivalents transferred by the Dissolved RDA or Successor Agency to the Sponsoring Community between January 1, 2011 and June 30, 2012, including the purpose of any such transfer and the documentation for any enforceable obligation related to such transfer;
- The dollar value of any cash or cash equivalents transferred after January 1, 2011 through June 30, 2012 to any other public agency or private party and the purpose of those transfers including documentation of any enforceable obligations requiring the transfer;
- Expenditure and revenue accounting information and transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles the balances, assets, liabilities of the Successor Agency on June 30, 2012 to those reported to the SCO for FY 2009-10;
- Separate accountings for (i) the balance of the LMIHF, and (ii) for all other funds combined that includes the following:
 - A statement of value of each fund as of June 30, 2012;
 - An itemized statement listing any amounts that are legally restricted and cannot be provided to the taxing entities, including bond proceeds, grant funds or restricted funds provided by other governmental entities;

- An itemized statement of the value of any assets that are not cash or cash equivalents which can include land, records and equipment. Physical assets can be valued at purchase cost or estimated market value. Housing assets are to be listed separately;

- An itemized list of any current balances that are legally owed to fund an enforceable obligation with the specific enforceable obligation identified. The Successor Agency is also to provide a listing of all approved enforceable obligations that includes a projection of the annual payments needed to satisfy the obligation and the projected revenues available to pay the obligation;

- If the Review finds that the current balances are necessary to fund the enforceable obligations because available restricted funds and future revenues are insufficient, the Review must identify the amounts necessary to pay the enforceable obligations from the current balances;

- Additionally, if the Review determines that the Successor Agency will have insufficient property tax to pay the enforceable obligations, the Review is to include the projected property tax revenue and other revenues projected to be available to the Successor Agency along with the amount and timing of bond debt payments of the Successor Agency; and

- An itemized list of the current balances that will be needed to pay enforceable obligations to be placed on a ROPS for the current fiscal year.

The Review is required to total the net balances available after deducting the restricted funds, the physical assets and the balances necessary for payment of enforceable obligations where there are insufficient funds from the projected property tax revenues and other revenues to pay the enforceable obligations. The balance available is to include the value of any cash transferred between January 1, 2011 and June 30, 2012 if there is not an enforceable obligation for that transfer. It is a rebuttable presumption that cash and cash equivalents are available to disburse to the taxing entities.

If the Review determines that there are insufficient cash balances to pay the amount determined to be the available amount, that insufficiency is to be demonstrated in a separate schedule.

d. Oversight Board and DOF Role with Respect to Review. Upon completion of the Review, the Review is to be submitted to the Oversight Board for review and approval. Additionally, the Successor Agency is to submit a copy of the ROPS to the County administrative officer, the CAC and the DOF at the same time the Successor Agency submits the Review to the Oversight Board.

Upon receipt of the Review, the Oversight Board is to convene a public comment session to take place at least five business days before the Oversight Board votes on approval of the Review. The Oversight Board is to review, approve and transmit the Review by October 15, 2012 for the LMHF and by January 15, 2013 for all other funds. The Oversight Board can

adjust amounts provided in the Review to reflect additional information and analysis. The Oversight Board can also authorize the Successor Agency to retain the restricted funds, the non-cash assets, and the cash balances that are contractually committed or needed for items to be placed on the ROPS during the fiscal year.

The DOF may adjust the amounts determined to be available for allocation to the taxing entities in the Review based on its analysis and information provided by the Successor Agency and others. The DOF is to complete its review by November 9, 2012 for the LMIHF and by April 1, 2013 for the remaining funds. The DOF is required to provide the Successor Agency and the Oversight Board with an explanation of the basis for overturning or modifying any findings or determinations of the Oversight Board.

The Successor Agency and the Dissolved RDA's Sponsoring Community can request a meet and confer with the DOF after the DOF has made its determination of the amounts available for allocation to the taxing entities within five business days of receipt of the DOF's determination (and no later than November 16, 2012 for the LMIHF portion of the Review). The request to meet and confer must include an explanation and documentation of the basis for the dispute. The DOF is required to meet and confer with the requesting party and make a decision within 30 days of the request to meet and confer.

e. Payments to Taxing Entities and Penalties for Noncompliance. Successor Agencies are required to transmit the funds determined to be available for allocation to the taxing entities within five business days of receipt of the notification of the amount determined by the DOF. Successor Agencies are required to make diligent efforts to recover money determined to be transferred without an enforceable obligation. If the Successor Agency fails to transmit the funds determined to be available for allocation to the taxing entities, there are a variety of remedies set forth in the statute including:

- If the Successor Agency cannot recover funds transferred to another public agency without an enforceable obligation, the DOF can order the Board of Equalization to offset the sales and use tax of the local agency that received the transferred funds, or the if the DOF does not order a sales or use tax offset, the CAC can offset property tax of the local agency that received the funds⁷;
- The DOF and the CAC can demand the return of funds improperly spent or transferred to a private party and can recover those funds plus a 10% penalty and interest through any lawful means;
- If the Sponsoring Community is performing the duties of the Successor Agency⁸, the DOF can order an offset of the Sponsoring Community's sales and use tax. If the DOF does not order such an offset, the CAC can offset property tax owed to the Sponsoring Community;

⁷ As noted earlier, the constitutionality of these offsets is questionable.

⁸ The statute does not address the fact that, pursuant to AB 1484, each Successor Agency is now a separate and distinct legal entity and is no longer the Sponsoring Community.

- As an alternative to all of the above, the DOF can order the CAC to offset the amounts owed against future distributions from the RPTTF to the Successor Agency pursuant to Section 34183.

If the DOF determines that the full payment of the amounts determined to be available for allocation to the taxing entities is not feasible or would jeopardize a Successor Agency's ability to pay enforceable obligations, the DOF can agree to an installment payment plan.

3. County Auditor-Controller Responsibilities; Redevelopment Property Tax Trust Fund Distribution Issues. AB 1484 contains numerous substantive changes to the role and responsibilities of the CAC in the redevelopment unwind process and to the instructions for administering and making distributions from the RPTTF. In addition to matters described in other parts of this Summary, key changes include:

a. The initial ROPS (covering January through June 2012) is no longer subject to certification by the CAC based on the results of the agreed-upon procedures audit that the CAC is required to conduct or cause to be conducted by an external auditor (the "AUP Audit") (Section 34177(1)(2)). This change raises questions about the continuing purpose of the AUP Audit.

b. The AUP Audit completion deadline is pushed back from July 1 to October 1, 2012, and related delivery dates are pushed back correspondingly (Section 34182(a)).

c. Instead of "certifying" a ROPS, the CAC is instead authorized under AB 1484 to review a ROPS and object to inclusion of any items that are not demonstrated to be enforceable obligations and/or the funding source proposed for any items. Such review and objection may occur before or after Oversight Board action on a particular ROPS. The CAC is directed to submit notice to the DOF, the Successor Agency, and the Oversight Board concerning any objection, generally at least 60 days prior to the distribution date for moneys from the RPTTF for the applicable ROPS period. If an Oversight Board disputes a CAC objection to a ROPS item, it may refer the matter to the DOF for determination of what will be approved for inclusion on the applicable ROPS (Section 34182.5). The AUP Audit presumably could be of use to a CAC in this role.

d. In calculating pass-through payment amounts that would have been owed had the Dissolved RDA not been dissolved, the CAC is directed to assume that the requirement still existed to deposit a portion of what would have been tax increment into the LMIHF (Section 34183(a)(1)).

e. The obligation of the CAC to make a distribution from the RPTTF on May 16, 2012 (as required by the Dissolution Act as modified by the Supreme Court) is deleted by AB 1484, thereby sanctioning the previously unauthorized practice implemented by most CACs (Section 34183(a)(2)).

f. The CAC is required to provide estimates of the amounts it will distribute from the RPTTF for the upcoming six-month period on October 1 (was November 1 in the Dissolution Act) and April 1 (was May 1 in the Dissolution Act) (Section 34182(c)(4)).

g. The date for distributions by a CAC from the RPTTF for the first six-month period of each calendar year (starting in 2013) is moved from January 16 to January 2. The distribution date for the second six-month period of each calendar year remains June 1 (Sections 34183(a) and 34185).

h. If there is a confirmed insufficiency of funds available to pay all of a Successor Agency's debt service enforceable obligations, the Dissolution Act established a procedure for reducing various distributions from the RPTTF to deal with such insufficiency, including giving priority of RPTTF distributions to such debt service payments over any statutory pass-through payments that had been subordinated under the applicable statutory procedure to the debt service payments. AB 1484 clarifies that contract pass-through payment obligations entered into prior to 1994 that were expressly subordinated to debt service payments on a particular enforceable obligation are also subordinated for purposes of distributions by the CAC from the RPTTF (Section 34183(b)).

i. Within 10 days after each semi-annual distribution from the RPTTF, the CAC must provide a report to the DOF on specified matters related to such distribution (Section 34183(e)).

j. AB 1484 establishes a procedure for a CAC to adjust the amounts distributed from the RPTTF to a particular taxing entity for a succeeding six-month period to the extent the amount of pass-through payment distributed by the CAC to that taxing entity for the preceding six-month period (based on estimates of the amount owed) varied from the actual amount of pass-through payment owed to that taxing entity (based on more complete subsequent information) (Section 34186(b)).

k. Once a Successor Agency pays off all the enforceable obligations of the Dissolved RDA, AB 1484 directs it to dispose of all remaining assets and terminate its existence within one year of the final debt payment. When the Successor Agency is terminated, all pass-through payment obligations cease and no further property tax is deposited in or distributed from the RPTTF, with the effect that all property tax that would formerly have been tax increment becomes normal property taxes distributed among the taxing entities as if the Dissolved RDA had never existed (Section 34187(b)).

l. Acknowledging that it had created inconsistency and uncertainty in the way it enacted related provisions of the Dissolution Act regarding calculation of the amount of pass-through payments owed, the Legislature in AB 1484 states its intent that the full amount of pass-through payments be made from the RPTTF, and that the apparent reduction in such payments mandated by one of the provisions at issue in the Dissolution Act would not be operative (uncodified Section 36 of AB 1484). Serious questions remain as to whether the payment of full pass-through amounts, as now clarified by AB 1484, violates various provisions of the California Constitution.

4. Reversal of Certain Successor Agency/Sponsoring Community Transactions. AB 1484 directs the SCO to review activities of each Successor Agency to determine if it transferred an asset on or after February 1, 2012 (when the Successor Agency was established) to the Sponsoring Community (city, county, or city and county that formed the Dissolved RDA) other than pursuant to an enforceable obligation contained on an approved and valid ROPS.⁹ If such a transfer did occur other than in connection with an enforceable obligation, then the SCO is directed to order the return of the transferred asset to the Successor Agency (unless such return is prohibited by state and federal law), and the "affected local agency" (words used in the statute) is directed to effectuate such return of the applicable asset as soon as practicable. This provision does not apply to the transfer of housing assets (see discussion of housing asset definition in Part II.A) which, if held by the Successor Agency, are allowed and required to be transferred to a Housing Successor (which often will be the Sponsoring Community) for continued housing functions (Section 34178.8).

5. Refunding Bonds. AB 1484 provides much greater flexibility in the refunding of bonds than the Dissolution Act provided. The legislation recognizes the advisability of authorizing the refunding bonds to lower the long-term cost of financing in many situations. Section 34177.5 adopts in most respects the language prepared by a committee of bond counsel from around the State, although it did not include the suggested language to address greater flexibility in refunding variable rate bonds. We suggest consultation with bond counsel for details regarding possible restructuring of any bonds.

As with other actions in the post-redevelopment era, any bond refunding requires Oversight Board approval and DOF review. The statute also provides for subordination of pass-through payments by taxing entities in substantially the same manner as previously provided in the Community Redevelopment Law (Section 34177.5(c)). To provide greater certainty to bond holders and others, the Successor Agency may petition the DOF to provide written confirmation that a DOF approval of an enforceable obligation with payments over time is final and conclusive and reflects the DOF's approval of subsequent payments under that enforceable obligation. If such confirmation is granted by the DOF, DOF review in the future is limited to confirming the payments are required by that prior approved enforceable obligation (Section 34177.5(i)).

A validation action may be brought regarding any bond refunding within 30 days of the Oversight Board approval of the refunding (Section 34177.5(e)). The DOF is required to be notified of a validation action involving a bond refunding (Section 34177.5(d)).

E. Potential Local Benefits of AB 1484.

The following potential benefits to a Successor Agency and its Sponsoring Community are offered under AB 1484 once the Successor Agency has attained a Finding of Completion from the DOF, as further described in Part II.D.2.

⁹ Presumably, the same treatment should apply to a transfer pursuant to an enforceable obligation listed on an approved Enforceable Obligation Payment Schedule in effect prior to the effectiveness of the first ROPS.

1. Property Disposition. The Dissolution Act calls for the Successor Agency, under the direction of the Oversight Board, to dispose of real property it received from the Dissolved RDA either for limited public uses, or for disposition into the private market expeditiously and with a view toward maximizing value, with the disposition proceeds ultimately made available for distribution to the affected taxing entities.

AB 1484 appears to suspend this process,¹⁰ and to provide certain flexibility and local benefits in connection with property disposition for a Successor Agency that has received a DOF Finding of Completion (Section 34191.3). Within six months after receipt of a Finding of Completion, the Successor Agency must submit a long-range property management plan for the real property of the Dissolved RDA for approval by the Oversight Board and the DOF (Section 34191.5(b)). The property management plan must include an inventory (with specified information) about each property, and address the use or disposition of each property (Section 34191.5(c)).

Permitted uses under a property management plan include:

- a. retention of the property for governmental use;
- b. retention of the property for future development;
- c. sale of the property; and
- d. use of the property to fulfill an enforceable obligation.

Upon approval of the property management plan, the properties of the Dissolved RDA are to be placed in a Community Redevelopment Property Trust Fund administered by the Successor Agency in accordance with the approved property management plan (Sections 34191.4(a) and 34191.5(a)). If the property management plan calls for use or liquidation (sale to obtain revenues) of a property for a project identified in an approved redevelopment plan, that property is to be transferred to the Sponsoring Community for that purpose. If the property management plan calls for the liquidation of the property or use of revenues from the property for purposes other than a project identified in a redevelopment plan or other than to fulfill an enforceable obligation, the proceeds from the sale are to be distributed as property taxes to the taxing entities (Section 34191.5(c)(2)(A) and (B)).

In short, use of property placed in the Community Redevelopment Property Trust Fund in accordance with an approved property management plan enables the Successor Agency and the Sponsoring Community to direct the use of specified properties and revenues generated from those properties for community development activities, including affordable housing, in a manner somewhat similar to the uses of property formerly implemented by the Dissolved RDA.

¹⁰ It is not clear if a Successor Agency can continue to follow the Dissolution Act path and dispose of property under Oversight Board direction to maximize value received for distribution to the affected taxing entities, or is instead compelled to follow the alternative path set out in AB 1484.

2. Sponsoring Community Loans. Under the Dissolution Act, the repayment of many loans made in good faith by a Sponsoring Community to its now Dissolved RDA became unenforceable as of February 1, 2012 and not subject to repayment by the Successor Agency. Under AB 1484, upon application by the Successor Agency and approval by the Oversight Board (which approval in turn creates the opportunity for DOF review and disapproval as further described in Part II.B.3.e), loan agreements between the Sponsoring Community and the Dissolved RDA that were previously deemed not to constitute enforceable obligations as of February 1, 2012, can once again be deemed to be enforceable obligations if the Oversight Board finds that the loan from the Sponsoring Community to the Dissolved RDA was for legitimate redevelopment purposes (Section 34191.4(b)).

However, AB 1484 places several conditions on the repayment by the Successor Agency to the Sponsoring Community of a loan that is reinstated, including:

- a. accumulated interest on the loan is recalculated from loan origination at the Local Agency Investment Fund ("LAIF") interest rate and supersedes any different interest calculation in the loan agreement;
- b. going forward, interest is also limited to the LAIF rate;
- c. loan repayments to the Sponsoring Community cannot begin until FY 2013-14 and are to be made according to a defined schedule over a "reasonable term of years", with the maximum annual repayment being strictly limited by statutory formula;
- d. repayments received by the Sponsoring Community must first be applied to retire any outstanding amounts that had been previously borrowed by the Dissolved RDA from its LMHF (e.g., amounts borrowed to make SERAF payments); and
- e. 20% of any remaining repayments received by the Sponsoring Community are deducted and placed in the Housing Asset Fund maintained by the Housing Successor (see discussion of this fund in Part II.A.4) (Section 34191.4(b)).

Depending on circumstances, these conditions could significantly reduce the repayment amounts received by the Sponsoring Community under any loan that is reinstated under AB 1484 following Oversight Board approval (and lack of DOF disapproval) of such reinstated loan.

3. Bond Proceeds. The Dissolution Act was ambiguous about the authority for a Successor Agency to expend unencumbered bond proceeds. Under AB 1484, following receipt of a DOF Finding of Completion, a Successor Agency is clearly authorized to spend, in a manner consistent with the original bond covenants, excess bond proceeds (proceeds not already committed to satisfy approved enforceable obligations) from bonds issued prior to 2011. Such expenditures of excess pre-2011 bond proceeds are considered enforceable obligations to be separately listed on the ROPS submitted by the Successor Agency. If such excess bond proceeds cannot be spent in a manner consistent with the bond covenants, then those proceeds are to be used to defease or purchase bonds (Section 34191.4(c)). AB 1484 does not clarify the authority

to expend bond proceeds from bonds issued by a Dissolved RDA in 2011. AB 1484 contains additional provisions regarding expenditures of unencumbered bond proceeds of a bond issuance secured by deposits in the LMIHF (see discussion in Part II.A.3).

F. Other Provisions.

AB 1484 adds other provision, including the following:

1. Economic Development Corporations. AB 1484 adds Section 34167.10 to expand the definition of “city, county and city and county” to include independent entities that are reporting units, component units or controlled by the city, county or city and county. The expanded definition is declarative of existing law and thus applies retroactively to the adoption of the Dissolution Act.

For purposes of determining whether an independent entity is controlled by the Sponsoring Community, the statute list factors to be considered but does not indicate whether all factors must be met or how to weigh the factors. The fact that the independent entity is a separate legal entity is not relevant to the analysis. The factors to be considered include, whether:

- a. the Sponsoring Community exercises substantial municipal control over the independent entity's operations, revenues or expenditures;
- b. the Sponsoring Community has ownership or control over the independent entity's property;
- c. the Sponsoring Community and the independent entity share common or overlapping governing boards or conterminous boundaries;
- d. the Sponsoring Community was involved in the creation of the independent entity;
- e. the independent entity performs functions customarily performed by municipalities and financed through levies of property taxes; and
- f. the Sponsoring Community provides administrative support for the independent entity.

The expanded definition of city, county and city and county is an effort to subject asset transfers to economic development corporations and other types of corporations separate and distinct from the Sponsoring Community to the clawback provisions in the Dissolution Act (Section 34167.5), and make agreements between the Dissolved RDA and such corporations null and void, similar to Sponsoring Community/Dissolved RDA agreements (Section 34178(a)).

2. RDA Land Use Functions. AB 1484 authorizes the transfer of land use plans and land use functions of the Dissolved RDA to the Sponsoring Community at the request of the Sponsoring Community (Section 34173(i)).

3. Statute of Limitations. The Dissolution Act lengthened to two years the statute of limitations on bringing a challenge to a redevelopment plan adoption or amendment, a redevelopment bond issuance, and findings and determinations of a redevelopment agency or legislative body. AB 1484, in turn, completely tolls (suspends) the already lengthened statute of limitations on these matters until the DOF has issued a Finding of Completion (see further discussion in Part II.D.2) to the Successor Agency of the applicable Dissolved RDA. Once the DOF has issued a Finding of Completion, the statute of limitations reverts to the original pre-Dissolution Act 90-day period (which will have long expired at that point) (Sections 33500 and 33501).

Section 34177.5 provides that a Successor Agency may request that the DOF waive the two-year statute of limitations with regard to redevelopment plan adoptions and amendments and findings and determinations made by the Dissolved Agency or its legislative body for plan adoptions, plan amendment, findings and determinations made after January 1, 2011. The DOF may provide this waiver if it determines, in its discretion, that it is necessary for the Successor Agency to fulfill an enforceable obligation.

4. Validation Action Notices and Venue. The DOF and the SCO (and, for certain actions, the affected taxing entities) must be properly notified of any validation action with respect to any action of a Dissolved RDA or Successor Agency or with respect to any enforceable obligation or matter of title to an asset the belonged to a Dissolved RDA. Such notification is a condition to the proper filing of the action. All such actions must be filed in the County of Sacramento (Sections 34189.1 and 34189.2).

5. Post-Suspension Actions. AB 1484 declares that any action taken by a Dissolved RDA after June 27, 2011 does not create an enforceable obligation (Section 34177.3(d)). Serious questions remain as to when the Dissolution Act took effect in late June 2011 (at which time the power to enter into most new redevelopment agreements was suspended), and whether the Legislature can retroactively alter that point of effectiveness in a way that would impair contracts validly entered into at the time of entry (which could, in turn, constitute a constitutionally flawed retroactive impairment of such contract). Also, if a Dissolved RDA had entered into a valid enforceable obligation prior to June 28, 2011 (or whatever point the Dissolution Act actually became effective) that obligated it to enter into a subsequent agreement after the effectiveness of the Dissolution Act, this provision of AB 1484 would likewise seem to constitute a constitutionally flawed impairment of the initial valid enforceable obligation, by preventing the effectiveness of the subsequent contract.

AB 1484 also declares that redevelopment agencies that opted to participate in the Voluntary Alternative Redevelopment Program (ABx1 27, that was subsequently found unconstitutional by the Supreme Court) did not receive a grace period to undertake new activities after the suspension date in the Dissolution Act (Section 34177.3(d)).

6. DOF Budget and Consultants. AB 1484 appropriates \$22 million to the DOF (of which up to \$2 million may be allocated to the State court system) for work associated with applicable portions of the Dissolution Act (uncodified Section 38 of AB 1484). In addition, the DOF is authorized to hire auditors, lawyers, and other types of advisors and consultants to assist, advise and represent the DOF in matters related to the Dissolution Act, and in doing so may avoid certain State law procedures for hirings.

PART III.
AB 1484 MILESTONE ACTIONS

Following is a checklist of upcoming key milestone actions under the Dissolution Act as amended by AB 1484.

<u>Date</u>	<u>Action</u>
July 9, 2012	Successor Agency to receive from the CAC determination of amount owed, if any, for distributions pursuant to the Section 34183(a)(4) for the initial ROPS period (Section 34183.5(b)(2)(A)).
July 12, 2012	Successor Agency to pay to the CAC any amounts identified as owed to the taxing entities (Section 34183.5(b)(2)(A)).
July 16, 2012	The CAC distributes to the taxing entities amounts received from the Successor Agency on July 12, 2012 (Section 34183.5(b)(2)(A)).
July 18, 2012	The DOF can order offset of sales and use tax due to Sponsoring Community if the Successor Agency has failed to make payments due on July 12, 2012 (Section 34183.5(b)(2)(A)).
August 1, 2012	Housing Successor must submit to DOF list of all housing assets transferred to it by the Dissolved RDA, with explanation of how assets meet criteria set forth in law. DOF to prescribe format for list (Section 34176(a)(2)).
August 10, 2012	Housing Successor provides notice to the Successor Agency of any designations of use or commitments of funds specified in 34176(g)(1)(A) that the Housing Successor empowers the Successor Agency to retain (Section 34179.6(c)).
September 1, 2012	The Successor Agency submits the ROPS for January 1, 2013 through June 30, 2013 to the DOF after Oversight Board approval (Section 34177(m)). Note, the Successor Agency will be assessed a \$10,000 per day penalty for failure to timely submit the ROPS (Section 34177(m)(2)).

<u>Date</u>	<u>Action</u>
September 11, 2012	If the Successor Agency has not submitted a ROPS, the maximum administrative cost allowance for the fiscal year covered by the ROPS will be reduced 25% (Section 34177(m)).
October 1, 2012	The Successor Agency to provide to the Oversight Board, the CAC, the DOF, and the SCO results of the 34179.5 review for the LMIHF balances of a Dissolved RDA conducted by a licensed accountant. Accountant must be approved by the CAC (Section 34179.6(a)).
October 1, 2012	The CAC to complete agreed-upon procedures audit of each Dissolved RDA (Section 34182(a)(1)).
October 1, 2012	The CAC to provide notice to the Successor Agency of any objections to items included on the Third ROPS (Section 34182.5).
October 1, 2012	The CAC to prepare and provide estimates to the DOF and fund recipients of amounts to be allocated and distributed from RPTTF on January 2, 2013 for Third ROPS period (Section 34182(c)(3)).
October 1, 2012	The CAC to report to the SCO and the DOF specified information about property tax distributions (Section 34182(d)).
October 5, 2012	The CAC to provide to the SCO and the DOF results of agreed-upon procedures audit of each Dissolved RDA (Section 34182(b)).
October 15, 2012	The Oversight Board to review, approve and transmit the results of the 34179.5 Review for the LMIHF account balances of the Dissolved RDA and notify the CAC and the DOF (Section 34179.6(c)). Note, that the Oversight Board must hold a public session at least five business days in advance of the meeting to consider approval of the Review (Section 34179.6(b)).
No later than November 9, 2012	The DOF completes review of 34179.5 Review of LMIHF balances and reports findings, determinations, and decisions to overturn Oversight Board decision to allow retention of Successor Agency assets (Section 34179.6(d)).

<u>Date</u>	<u>Action</u>
Within 5 days of receipt of initial determination from the DOF	Successor Agency/Sponsoring Community deadline to request meet and confer with DOF over any dispute regarding amount of the LMIHF to be distributed to Taxing Entities under the 34179.5 Review process (Section 34179.6(e)). The DOF must meet and confer with the Successor Agency and confirm or modify findings within 30 days of request (Section 34179.6(e)).
Within 5 days of receipt of final determination from the DOF	The Successor Agency to transfer to the CAC the LMIHF balances determined to be available pursuant to Section 34179.5 Review of the LMIHF. Sponsoring Community sales and use tax may be offset if funds are not transferred (Section 34179.6(f)).
December 1, 2012	The Successor Agency reports to the CAC if total amount of available revenues (including RPTTF, other revenues, proceeds from sale of assets) will be insufficient to fund enforceable obligations (Section 34183(b)).
December 1, 2012	The CAC provides the DOF report specifying amount remitted by the Successor Agency pursuant to the 34179.5 Review of LMIHF balances (Section 34179.6(g)).
December 15, 2012	The Successor Agency submits to the Oversight Board, the CAC, the DOF, and the SCO results of review required under 34179.5 with respect to all other fund and account balances of a Dissolved RDA (Section 34179.6(a)).
January 2, 2013	The CAC to make distributions from the RPTTF for the Third ROPS period (January-June 2012) (Section 34183(a)(2)).
January 12, 2013	The CAC to provide a report to the DOF regarding most recent distributions from the RPTTF (Section 34283(e)).
January 15, 2013	The Oversight Board to review, approve and transmit the results of the 34179.5 Review for all other fund and account balances of a Dissolved RDA and notify the CAC and the DOF of determination (Section 34179.6(c)). Note, that the Oversight Board must hold a public session at least five business days in advance of the meeting to consider approval of the Review (Section 34179.6(b)).
March 3, 2013	Successor Agency submits ROPS for July 1, 2013 through December 31, 2013 to DOF after Oversight Board approval (Section 34177(m))

Date	Action
No later than April 1, 2013	The DOF completes reviews of 34179.5 Review of other fund balances and reports findings, determinations and decisions to overturn Oversight Board decision to allow retention of Successor Agency assets. (Section 34179.6(a)).
April 1, 2013	The CAC provides estimates to the DOF and all fund recipients of amounts to be allocated and distributed from the RPTTF on June 1 for the July 1, 2013 through December 31, 2013 ROPS period (Section 34182(c)(3)).
Within 5 days of receipt of initial determination from the DOF	Successor Agency/Sponsoring Community deadline to request meet and confer with the DOF over any dispute regarding amount of other fund balances to be distributed to the taxing entities under 34179.5 Review process. The DOF must meet and confer with Successor Agency and confirm or modify findings within 30 days of request (Section 34179.6(e)).
Within 5 days of receipt of final determination from the DOF	The Successor Agency to transfer to the CAC cash and other assets determined to be available pursuant to Section 34179.5 Review of other funds (if meet and confer process is complete). Sponsoring Community sales and use tax may be offset for unfunded amounts (Section 34179.6(f)).
April 20, 2013	The CAC provides the DOF a report specifying the amount remitted by Successor Agencies pursuant to the Section 34179.5 Review of other balances (Section 34179.6(g)).
May 1, 2013	The Successor Agency reports to the CAC if total amount of available revenues (including RPTTF, other revenues, proceeds from sale of assets) will be insufficient to fund enforceable obligations (Section 34183(b)).
June 1, 2013	The CAC to make distributions from the RPTTF for the ROPS period July-December 2013 (Section 34284(c)).

OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE DISSOLVED YUCCA VALLEY
REDEVELOPMENT AGENCY

REGULAR MEETING

AUGUST 31, 2012

ABx1 26 and AB 1484 Update

HOUSING ASSET TRANSFER DOCUMENT

DEPARTMENT OF FINANCE
HOUSING ASSETS LIST
ASSEMBLY BILL X1 26 AND ASSEMBLY BILL 1484
(Health and Safety Code Section 34176)

Former Redevelopment Agency: Yucca Valley Redevelopment Agency

Successor Agency to the Former Redevelopment Agency: Town of Yucca Valley

Entity Assuming the Housing Functions of the former Redevelopment Agency: Town of Yucca Valley

Entity Assuming the Housing Functions Contact Name: Curtis Yakimow Title Director of Admin Services Phone 760 369-7207 ext 232 E-Mail Address cyakimow@yucca-valley.org

Entity Assuming the Housing Functions Contact Name: Curtis Yakimow Title Director of Admin Services Phone 760 369-7207 ext 232 E-Mail Address cyakimow@yucca-valley.org

All assets transferred to the entity assuming the housing functions between February 1, 2012 and the date the exhibits were created are included in this housing assets list. The following Exhibits noted with an X in the box are included as part of this inventory of housing assets:

Exhibit A - Real Property	x
Exhibit B- Personal Property	
Exhibit C - Low-Mod Encumbrances	x
Exhibit D - Loans/Grants Receivables	x
Exhibit E - Rents/Operations	x
Exhibit F- Rents	
Exhibit G - Deferrals	x

Prepared By: Curtis Yakimow

Date Prepared: 31-Jul-12

Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of Asset a/	Legal Title and Description	Carrying Value of Asset	Total square footage	Square footage reserved for low-mod housing	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant b/	Date of transfer to Housing Successor Agency	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition by the former RDA	Interest in real property (option to purchase, easement, etc.)
1	Housing Duplex	6414 Hermosa, Yucca Valley, 92284 APN #601-161-12	\$5,000	7800 sq ft	7800 sq ft	yes	Purchase Agmt	2/1/2012	yes-all	no	no	Aug-94	n/a
2	Housing Duplex	6403 Goleta, Yucca Valley, 92284 APN#601-161-28	\$5,000	7800 sq ft	7800 sq ft	yes	Purchase Agmt	2/1/2012	yes-all	no	no	Aug-94	n/a
3	Housing Duplex	6413 Goleta, Yucca Valley, 92284 APN#601-161-27	\$5,000	7800 sq ft	7800 sq ft	yes	Purchase Agmt	2/1/2012	yes-all	no	no	Aug-94	n/a
4	Housing Duplex	6405 Avalon, Yucca Valley, 92284 APN#601-193-21	\$5,000	7021.5 sq ft	7021.5 sq ft	yes	Purchase Agmt	2/1/2012	yes-all	no	no	Aug-94	n/a
5	Housing Duplex	6411 Avalon, Yucca Valley, 92284 APN#601-193-20	\$5,000	7059 sq ft	7059 sq ft	yes	Purchase Agmt	2/1/2012	yes-all	no	no	Aug-94	n/a
6	Vacant land	Corner of Dumosa/Hwy 62 APN#595-371-11 & #595-361-21	\$940,000	3 Ac +/-	3 Ac +/-	yes - pending	Purchase Agmt	2/1/2012	N/A*	yes - all	N/A**	Mar-11	n/a
7						July 2012 TCAC							
8						Award of Funds							
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													

* Vacant land part of a proposed Senior Housing project scheduled for construction in early 2013. Encumbered Low/mod funds through Exclusive Negotiating Agreement (ENA) and consummated in Financing, Disposition & Development Agreement. Funds used to complete Project Entitlement through Specific Plan, Environmental Review, Conditional Use Permit, and Design Review processes.

** Vacant land part of a proposed Senior Housing project scheduled for construction in early 2013. Construction funding to include: HOME, Federal Tax Credits (July 2012 application / Fall 2012 award), local development impact fees, Local Transportation Funds (LTF), SERAF repayment, Flood Control Impact Fees.

a/ Asset types may include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of Asset a/	Description	Carrying Value of Asset	Date of transfer to Housing Successor Agency	Acquisition cost funded with Low-Mod Housing Fund monies	Acquisition costs funded with other RDA funds	Acquisition costs funded with non-RDA funds	Date of acquisition by the former RDA
1	n/a							
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3								
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a/ Asset types any personal property provided in residences, including furniture and appliances, all housing-related files and loan documents, office supplies, software licenses, and mapping programs, that were acquired for low and moderate income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds.

Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of housing built or acquired with enforceably obligated funds a/	Date contract for Enforceable Obligation was executed	Contractual counterparty	Total amount currently owed for the Enforceable Obligation	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant b/	Current owner of the property	Construction or acquisition cost funded with Low-Mod Housing Fund monies	Construction or acquisition costs funded with other RDA funds	Construction or acquisition costs funded with non-RDA funds	Date of construction or acquisition of the property
1	Low/Mod Sr. Housing	Original ENA - 12/2010	National CORE	500000*	Yes - Upon TCAC Award	DDA	RDA/Town as SHA	1.136m Committed	n/a	Yes**	Anticipated 2013
2		Hud 202 App - May 2011									
3		TCAC March 2012									
4		TCAC July 2012									
5											
6	Unspent Low/Mod Bond Funds	Bond issuance - 1995 & 2004	n/a	1,077,000	Yes - Upon expenditure of funds	n/a	RDA/Town as SHA	n/a	n/a	n/a	n/a
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* Proposed Senior Housing project scheduled for construction in early 2013. Encumbered Low/mod funds through Exclusive Negotiating Agreement (ENA) and consummated in Financing, Disposition & Development Agreement. Funds used to complete Project Entitlement through Specific Plan, Environmental Review, Conditional Use Permit, and Design Review processes.

** Senior Housing project scheduled for construction in early 2013. Construction funding to include: HOME, Federal Tax Credits (July 2012 application / Fall 2012 award), local development impact fees, Local Transportation Funds (LTF), SERAF repayment, Flood Control Impact Fees.

a/ May include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

b/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Was the Low-Mod Housing Fund amount issued for a loan or a grant?	Amount of the loan or grant	Date the loan or grant was issued	Person or entity to whom the loan or grant was issued	Purpose for which the funds were loaned or granted	Are there contractual requirements specifying the purposes for which the funds may be used?	Repayment date, if the funds are for a loan	Interest rate of loan	Current outstanding loan balance
1									
2	Loan	\$ 15,000.00	10/23/2008	Unity Home	Reconstruction of units	Yes	10/23/2018	2.70%	10,912.00
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Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of payment a/	Type of property with which they payments are associated b/	Property owner	Entity that collects the payments	Entity to which the collected payments are ultimately remitted	Purpose for which the payments are used	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant c/	Item # from Exhibit A the rent/operation is associated with (if applicable)
1	Nominal Lease	Low-mod housing	RDA/Town as SHA	RDA/Town as SHA	RDA/Town as SHA	n/a	Yes	Purchase Agmt	1
2	Nominal Lease	Low-mod housing	RDA/Town as SHA	RDA/Town as SHA	RDA/Town as SHA	n/a	Yes	Purchase Agmt	2
3	Nominal Lease	Low-mod housing	RDA/Town as SHA	RDA/Town as SHA	RDA/Town as SHA	n/a	Yes	Purchase Agmt	3
4	Nominal Lease	Low-mod housing	RDA/Town as SHA	RDA/Town as SHA	RDA/Town as SHA	n/a	Yes	Purchase Agmt	4
5	Nominal Lease	Low-mod housing	RDA/Town as SHA	RDA/Town as SHA	RDA/Town as SHA	n/a	Yes	Purchase Agmt	5
6	residual receipts loan	Low-mod housing	RDA/Town as SHA	RDA/Town as SHA	RDA/Town as SHA	repayment of loan	pending TCAC Award	DDA	
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									

a/ May include revenues from rents, operation of properties, residual receipt payments from developers, conditional grant repayments, costs savings and proceeds from refinancing, and principal and interest payments from homebuyers subject to enforceable income limits.

b/ May include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

c/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Type of payment a/	Type of property with which the payments are associated b/	Property owner	Entity that collects the payments	Entity to which the collected payments are ultimately remitted	Purpose for which the payments are used	Is the property encumbered by a low-mod housing covenant?	Source of low-mod housing covenant c/	Item # from Exhibit A the rent is associated with (if applicable)
1	n/a								
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									

a/ May include rents or home loan payments.

b/ May include low-mod housing, mixed-income housing, low-mod housing with commercial space, mixed-income housing with commercial space.

c/ May include California Redevelopment Law, tax credits, state bond indentures, and federal funds requirements.

Town of Yucca Valley
Inventory of Assets Received Pursuant to Health and Safety Code section 34176 (a) (2)

Item #	Purpose for which funds were deferred	Fiscal year in which funds were deferred	Amount deferred	Interest rate at which funds were to be repaid	Current amount owed	Date upon which funds were to be repaid
1	SERAF Loan	2009-10	\$ 636,679	0	\$ 636,679	2012-13
2	HSC 33690					
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
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17						
18						
19						
20						

OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE DISSOLVED YUCCA VALLEY
REDEVELOPMENT AGENCY

REGULAR MEETING

AUGUST 31, 2012

ABx1 26 and AB 1484 Update

FY 2012-13 ADOPTED BUDGET PACKAGE

RESOLUTION NO. OB _____

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S ADMINISTRATIVE BUDGET FOR FISCAL YEAR 2012-13

WHEREAS, the Oversight Board to the Successor Agency to the dissolved Yucca Valley Redevelopment Agency (the "Oversight Board") has been appointed pursuant to the provisions of Health & Safety Code Section 34179; and

WHEREAS, the Oversight Board is deemed a local entity for purposes of the Political Reform Act; and

WHEREAS, in accordance with Section 34177 of ABx1 26, the Successor Agency shall propose an administrative budget and submit it to the Oversight Board for approval, and

WHEREAS, in accordance with ABx1 26, the Successor Agency administrative budget shall be limited to no more than \$250,000 annually shall propose an administrative budget and submit it to the Oversight Board for approval.

THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY DOES HEREBY RESOLVE, AS FOLLOWS:

SECTION 1. The administrative budget, as adopted by the Successor Agency is hereby approved, in an amount not to exceed \$250,000 for the fiscal year 2012-13, subject to approval by the Department of Finance as part of the recurring ROPS approval.

APPROVED AND ADOPTED this 31st day of August, 2012

CHAIR, OVERSIGHT BOARD

ATTEST:

SECRETARY, OVERSIGHT BOARD

**SUCCESSOR AGENCY TO THE FORMER
YUCCA VALLEY REDEVELOPMENT AGENCY
STAFF REPORT**

To: Honorable Chair & Agency Members
From: Mark Nuaimi; Town Manager
Curtis Yakimow; Director of Administrative Services
Date: June 21, 2012
For Council Meeting: June 26, 2012

Subject: FY 2012-13 Proposed Budget

Recommendation: It is recommended that the Agency;

- Adopt a resolution approving the fiscal year 2012-13 budget, and designating those officials authorized to make requisitions for encumbrances against appropriations.

Order of Procedure:

Staff Report
Public Comment
Questions of Staff
Agency Discussion
Agency Action


Discussion: Since February 1, 2012, the Town of Yucca Valley serves as the Successor Agency to the former Yucca Valley Redevelopment Agency. As the administering agency, the Successor Agency is responsible for adoption of the fiscal year spending plan.

To assist the Agency Board in reviewing the proposed fiscal year 2012-13 budget, a copy of the Town Manager's Transmittal Letter is included as follows:

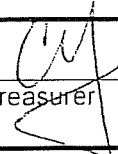
Yucca Valley Successor Agency

The proposed Yucca Valley Successor Agency budget for fiscal year 2012-13 is essentially a placeholder budget, representing the current expenditures that have been approved by the Successor Agency Oversight Board. Due to the ever-evolving nature of the wind-down process, it is unclear how the former RDA assets will ultimately be dissolved.

Reviewed By:


Exec. Director


Agency Counsel


Treasurer


Dept Head

Department Report

Ordinance Action

Resolution Action

Public Hearing

Consent

Minute Action

Receive and File

Study Item

It is likely that both current legislation and litigation will influence how prior RDA assets may be utilized. However, until there is sufficient clarity regarding the expenditure of funds, the current proposed budget provides for expenditure of funds approved by the Oversight Board, the Department of Finance, and in some cases, both. It is the recommendation of staff however, that only those expenditures explicitly approved by the Oversight Board *and* the Department of Finance be expended.

Town staff will continue to work with the Agency's consultants, legal counsel, Agency Board, and Oversight Board to advocate a spending and disposition plan that promotes the overall economic objectives supporting the entire Morongo Basin. Such an approach will ensure that the residents of Yucca Valley and the taxing agencies of the broader community benefit from the prior Yucca Valley Redevelopment Agency's efforts to develop this Town in an economically responsible manner. This approach may also dampen the continued shift of local monies to the State for their legislation needs.

Alternatives: Adopt and approve with modifications.

Fiscal impact: The proposed fiscal year 2012-13 budgets for all Agency funds are balanced, and reflect all current information received to date from the State.

Attachments:

FY 2012-13 Proposed Budget
Budget Resolution

RESOLUTION NO. SA-12-

A RESOLUTION OF THE SUCCESSOR AGENCY, OF THE TOWN OF YUCCA VALLEY, CALIFORNIA, ADOPTING THE 2012-13 SUCCESSOR AGENCY BUDGET AND APPROVING APPROPRIATIONS FOR THE FISCAL YEAR COMMENCING ON JULY 1, 2012 AND ENDING JUNE 30, 2013

WHEREAS, the Court's decision results in the implementation of AB1x26 which dissolves all the redevelopment agencies in the State of California as of February 1, 2012; and

WHEREAS, pursuant to a provision of AB1x26, codified as Health and Safety Code § 34173(d)(1), the Town, in the case of a redevelopment agency of a Town, automatically becomes the "Successor Agency" to its dissolved redevelopment agency and is charged with the responsibility of winding up the affairs of the dissolved redevelopment agency pursuant to AB1x26, unless the Town council adopts a resolution electing to not serve as the Successor Agency and thereafter files a copy of such resolution with the county auditor-controller; and

WHEREAS, the Yucca Valley Successor Agency is required to provide an expenditure budget for the Agency's activities; and

WHEREAS, there are restricted fund revenues available through AB1x26 to implement the 2012-13 Successor Agency Budget as recommended.

NOW, THEREFORE, THE SUCCESSOR AGENCY OF THE TOWN OF YUCCA VALLEY DOES RESOLVE AS FOLLOWS.

Section 1. The Successor Agency adopts the Resolution approving and adopting the 2012-13 Agency budget and approving appropriations for the fiscal year commencing on July 1, 2012 and ending June 30, 2013.

Section 2. To the best of the Agency's knowledge, the approved budget is in accordance with all applicable ordinances of the Town, Successor Agency and all applicable statutes of the State.

Section 3. Total appropriations within funds will be increased or decreased only by amendment of budget by motion of the Successor Agency Board.

Section 4. The following Officials are authorized to request and approve for payment purchases against budget accounts:

Agency Chair
Town Manager
Deputy Town Manager
Director of Administrative Services

PASSED, APPROVED AND ADOPTED THIS 26th day of June, 2012.

CHAIR

ATTEST:

SECRETARY

Town of Yucca Valley
 FY 2012-13 Adopted Budget
 Special Revenue Funds

	Actual 2010-11	Actual 2/1/2012	Adopted 2011-12	YTD-May 2012	Projected 2011-12	Adopted 2012-13
630 - Successor Agency Bond Funds						
RECEIPTS						
Interest	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 2,500
TOTAL RECEIPTS	-	-	-	1,000	1,000	2,500
EXPENDITURES						
Operating Expenditures Services	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	-
CAPITAL OUTLAY						
Work in Progress	-	-	-	-	-	1,500,000
TOTAL CAPITAL OUTLAY	-	-	-	-	-	1,500,000
OPERATING TRANSFERS IN (OUT)						
Transfer IN - Fund 930	-	5,546,008	-	-	-	-
Transfer OUT	-	-	-	-	-	-
TOTAL OPERATING TRANSFERS IN (OUT)	-	5,546,008	-	-	-	-
INCREASE (DECREASE) IN FUND BALANCE						
		5,546,008	-	1,000	1,000	(1,497,500)
BEGINNING FUND BALANCE						
		-	5,546,007	5,546,007	5,546,007	5,547,007
ENDING FUND BALANCE						
	\$	5,546,007	\$ 5,546,007	\$ 5,547,007	\$ 5,547,007	\$ 4,049,507

Work in Progress Detail

Project	Account	Actual 2010-11	Actual 2/1/2012	Adopted 2011-12	YTD-May 2012	Projected 2011-12	Adopted 2012-13
Southside Phase IA		-	-	-	-	-	250,000
Regional Wastewater Funding		-	-	-	-	-	1,000,000
Public Infrastructure Program		-	-	-	-	-	250,000
		-	-	-	-	-	1,500,000

Town of Yucca Valley
FY 2012-13 Adopted Budget
Special Revenue Funds

	Actual 2010-11	Actual 2/1/2012	Adopted 2011-12	YTD-May 2012	Projected 2011-12	Adopted 2012-13
631 - Successor Agency Debt Service - RPTTF						
RECEIPTS						
Tax Increment	\$ -	\$ -	\$ -	\$ -	\$ 441,224	\$ 950,000
Interest	-	-	-	-	-	-
TOTAL RECEIPTS	-	-	-	-	441,224	950,000
EXPENDITURES						
Direct Labor/Admin	631 00-00 51XX	-	125,000	72,000	95,000	250,000
Planning Center - GP	631 00-00 7110	-	50,000	-	50,000	400,000
RSG Consulting Svcs	631 00-00 71XX	-	24,000	-	2,500	50,000
Insurance	631 00-00 6xxx	-	10,000	-	-	15,000
Legal Services	931 00-00 71xx	-	20,000	2,983	10,000	100,000
Audit Expenditures	931 00-00 7xxx	-	45,000	518	25,000	40,000
Debt Service	931 00-00 79XX	-	458,000	-	458,000	735,703
Other		-	-	1,647	5,000	-
SERAF Repayment		-	-	-	-	636,000
TOTAL EXPENDITURES	-	-	732,000	77,148	645,500	2,226,703
CAPITAL OUTLAY						
Work in Progress	-	-	-	-	-	-
TOTAL CAPITAL OUTLAY	-	-	-	-	-	-
OPERATING TRANSFERS IN (OUT)						
Transfer IN - Fund 932	-	2,581,985	-	-	-	-
Transfer In - Fund 632	-	-	-	-	65,000	65,000
TOTAL OPERATING TRANSFERS IN (OUT)	-	2,581,985	-	-	65,000	65,000
INCREASE (DECREASE) IN FUND BALANCE						
FUND BALANCE	-	2,581,985	(732,000)	(77,148)	(139,276)	(1,211,703)
BEGINNING FUND BALANCE	-	-	2,581,985	2,581,985	2,581,985	2,442,709
ENDING FUND BALANCE	\$ -	\$ 2,581,985	\$ 1,849,985	\$ 2,504,837	\$ 2,442,709	\$ 1,231,006
FUND BALANCE BREAKDOWN						
Cash		816,909	84,909	739,761	677,633	(534,070)
Cash w/ Fiscal Agent		743,203	743,203	743,203	743,203	743,203
A/R		-	-	-	-	-
Land		1,658,552	1,658,552	1,658,552	1,658,552	1,658,552
Total Asset		3,218,664	2,486,664	3,141,516	3,079,388	1,867,685
Advance from L/M		(636,679)	(636,679)	(636,679)	(636,679)	(636,679)
NET FUND BALANCE		2,581,985	1,849,985	2,504,837	2,442,709	1,231,006

Town of Yucca Valley
FY 2012-13 Adopted Budget
Special Revenue Funds

			Actual	Actual	Adopted	YTD-May	Projected	Adopted	
			2010-11	2/1/2012	2011-12	2012	2011-12	2012-13	
632 - Town Housing Fund									
RECEIPTS									
Tax Allocation Bond	932 00-00 4176	\$	-	\$	-	\$	-	\$	-
SERAF Loan Repayment	932 00-00 4177		-	-	-	-	-	-	636,679
Interest			-	-	-	-	-	-	-
TOTAL RECEIPTS			-	-	-	-	-	-	636,679
EXPENDITURES									
Operating Expenditures			-	-	-	1,250	-	-	-
Professional Services			-	-	-	-	-	-	-
Debt Service - Housing Bonds			-	-	-	-	-	-	-
TOTAL EXPENDITURES			-	-	-	1,250	-	-	-
CAPITAL OUTLAY									
Work in Progress			-	-	436,000	15,351	15,351	-	250,000
TOTAL CAPITAL OUTLAY			-	-	436,000	15,351	15,351	-	250,000
OPERATING TRANSFERS IN (OUT)									
Transfer OUT - Fund 931			-	-	(65,000)	-	(65,000)	-	(65,000)
Transfer IN - Fund 931			-	2,523,312	-	-	-	-	-
TOTAL OPERATING TRANSFERS IN (OUT)			-	2,523,312	(65,000)	-	(65,000)	-	(65,000)
INCREASE (DECREASE) IN FUND BALANCE									
			-	2,523,312	(501,000)	(16,601)	(80,351)	-	321,679
BEGINNING FUND BALANCE									
			-	-	2,523,312	2,523,312	2,523,312	-	2,442,961
ENDING FUND BALANCE									
		\$	-	\$ 2,523,312	\$ 2,022,312	\$ 2,506,711	\$ 2,442,961	\$	\$ 2,764,640

Work in Progress Detail		Actual	Actual	Adopted	YTD-May	Projected	Adopted
		2010-11	2/1/2012	2011-12	2012	2011-12	2012-13
Project	Account						
Affordable Housing Programs	932 00-00 8450 0000	-	-	-	-	-	-
General Plan Update	932 00-00 8XXX	-	-	-	-	-	-
Sr. Housing Project	932 00-00 8310 8671-000	-	-	-	-	-	-
Sr. Housing Proj-CORE	932 00-00 8310 8671-811	-	-	436,000	15,351	15,351	250,000
Sr. Housing Project/NRG	932 00-00 8453 3130	-	-	-	-	-	-
		-	-	436,000	15,351	15,351	250,000

Town of Yucca Valley
FY 2012-13 Adopted Budget
Special Revenue Funds

	Actual 2010-2011	Adopted 2011-12	YTD-Jan 31 2012	Projected 2011-12	Adopted 2012-13
930 - RDA Capital Projects					
RECEIPTS					
Interest	\$ 26,491	\$ 24,000	\$ 10,668	\$ -	\$ -
TOTAL RECEIPTS	26,491	24,000	10,668	-	-
EXPENDITURES					
Operating Expenditures	-	5,000	-	-	-
Services	120	10,000	-	-	-
TOTAL EXPENDITURES	120	15,000	-	-	-
CAPITAL OUTLAY					
Work in Progress	137,209	365,000	-	-	-
TOTAL CAPITAL OUTLAY	137,209	365,000	-	-	-
OPERATING TRANSFERS IN (OUT)					
Transfer OUT - Fund 630	-	-	-	(5,546,008)	-
Transfer OUT	-	-	-	-	-
TOTAL OPERATING TRANSFERS IN (OUT)	-	-	-	(5,546,008)	-
INCREASE (DECREASE) IN FUND BALANCE					
	(110,838)	(356,000)	10,668	(5,546,008)	-
BEGINNING FUND BALANCE	5,646,178	5,535,340	5,535,340	5,546,008	(0)
ENDING FUND BALANCE	\$ 5,535,340	\$ 5,179,340	\$ 5,546,008	\$ (0)	(0)

Work in Progress Detail

Project	Account	Actual 2010-2011	Adopted 2011-12	YTD-Jan 31 2012	Projected 2011-12	Adopted 2012-13
Old Town Prop Acquisition	930 00-00 8310 8549-000	-	-	-	-	-
Grimmett Demo/Rehab	930 00-00 8310 8549-001	1,425	-	-	-	-
Prop Acq- Rooks	930 00-00 8310 8549-002	-	-	-	-	-
Prop Acq- Stahmer	930 00-00 8310 8549-003	-	-	-	-	-
Prop Acq- Culver	930 00-00 8310 8549-004	3,623	-	-	-	-
Prop Acq- Benecia/Ho	930 00-00 8310 8549-005	-	-	-	-	-
Prop Acq- 55700 29 Pams Hwy	930 00-00 8310 8549-006	-	-	-	-	-
Prop Acq- SEC Benecia	930 00-00 8310 8549-007	-	-	-	-	-
Prop Acq- SWC Benecia	930 00-00 8310 8549-008	-	-	-	-	-
Storefront Improvement Program	930 00-00 8310 8661-000	-	-	-	-	-
SR62 Old Town Realignment	930 00-00 8310 8662-000	1,683	-	-	-	-
SR62 Old Town Realignment	930 00-00 8310 8662-100	91,886	-	-	-	-
RDA Participation in New Const	930 00-00 8310 8665-000	-	-	-	-	-
Old Town Spec Plan Implement	930 00-00 8310 8666-000	-	-	-	-	-
Pub Infrastructure- Assist Prog	930 00-00 8310 8667-000	38,593	100,000	-	-	-
Pub Infrastructure- Other	930 00-00 8310 8668-000	-	100,000	-	-	-
SR62: Airway - La Contenta PSR		-	165,000	-	-	-
		137,209	365,000	-	-	-

Town of Yucca Valley
FY 2012-13 Adopted Budget
Special Revenue Funds

	Actual 2010-2011	Adopted 2011-12	YTD-Jan 31 2012	Projected 2011-12	Adopted 2012-13
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931 - RDA Debt Service

RECEIPTS

Tax Increment	\$ 2,149,009	\$ 2,175,000	\$ 1,228,093	\$ -	\$ -
Interest	10,363	10,500	1,841	-	-
TOTAL RECEIPTS	2,159,372	2,185,500	1,229,934	-	-

EXPENDITURES

Direct Labor	931 00-00 51XX	267,681	223,000	146,182	-	-
Direct Economic Developn	931 00-00 7925	-	45,000	45,250	-	-
Operating Expenditures	931 00-00 61XX	12,281	10,000	23,163	-	-
Contract Legal	931 20-01 7111	5,273	10,000	6,603	-	-
2009-10 & 2010-11 SERAI	931 00-00 7912	131,081	159,160	-	-	-
Prop TaxAdmin Costs	931 00-00 7979	31,131	32,000	3,400	-	-
Pass Thru Agreements	931 00-00 797X	816,392	683,000	414,791	-	-
Debt Service	931 00-00 79XX	741,240	736,000	277,851	-	-
Professional Services	931 00-00 7XXX	23,989	10,000	9,948	-	-
Indirect Cost	931 00-00 7999 0000	-	10,000	10,000	-	-
TOTAL EXPENDITURES		2,029,068	1,918,160	937,188	-	-

CAPITAL OUTLAY

Work in Progress	940,000	450,000	24,316	-	-
TOTAL CAPITAL OUTLAY	940,000	450,000	24,316	-	-

OPERATING TRANSFERS IN (OUT)

Transfer IN - Fund 932	65,625	65,000	24,451	-	-
Transfer OUT - Fund 932	(434,688)	(435,000)	(245,571)	-	-
Transfer OUT - Fund 631	-	-	-	(2,581,985)	-
TOTAL OPERATING TRANSFERS IN (OUT)	(369,063)	(370,000)	(221,120)	(2,581,985)	-

INCREASE (DECREASE) IN

FUND BALANCE	(1,178,759)	(552,660)	47,310	(2,581,985)	-
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BEGINNING FUND BALANCE

	3,713,434	2,534,675	2,534,675	2,581,985	-
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ENDING FUND BALANCE

	\$ 2,534,675	\$ 1,982,015	\$ 2,581,985	\$ -	\$ -
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Fund Balance Breakdown

Cash	816,909
Cash w/ Fiscal Agent	743,203
A/R	-
Land	1,658,552
Total Asset	3,218,664
Advance from L/M	(636,679)
Net Fund Balance	2,581,985

Work in Progress Detail

Project	Account	Actual 2010-2011	Adopted 2011-12	YTD-Jan 31 2012	Projected 2011-12	Adopted 2012-13
Branding/Marketing Plan			-		-	-
General Plan Update			450,000	24,316	-	-
NW Corner of 62 & Dumosa		940,000			-	-
Project Area Analysis Amendment			-		-	-
		940,000	450,000	24,316	0	0

Town of Yucca Valley
FY 2012-13 Adopted Budget
Special Revenue Funds

		Actual	Adopted	YTD-Jan 31	Projected	Adopted
		2010-2011	2011-12	2012	2011-12	2012-13
932 - RDA Low/Mod Housing						
RECEIPTS						
Tax Allocation Bond	932 00-00 4176	\$ -	\$ -	\$ -	\$ -	\$ -
SERAF Loan Repayment	932 00-00 4177	-	159,160	-	-	-
Interest		8,222	5,500	3,722	-	-
TOTAL RECEIPTS		8,222	164,660	3,722	-	-
EXPENDITURES						
Operating Expenditures		2,962	10,000	11,165	-	-
Professional Services		13,425	15,000	2,106	-	-
Debt Service - Housing Bonds		-	-	-	-	-
TOTAL EXPENDITURES		16,387	25,000	13,271	-	-
CAPITAL OUTLAY						
Work in Progress		176,230	250,000	100,568	-	-
TOTAL CAPITAL OUTLAY		176,230	250,000	100,568	-	-
OPERATING TRANSFERS IN (OUT)						
Transfer OUT - Fund 931		434,688	(65,000)	(24,451)	-	-
Transfer OUT - Fund 632		-	-	-	(2,523,312)	-
Transfer IN - Fund 931		(65,626)	435,000	245,571	-	-
TOTAL OPERATING TRANSFERS IN (OUT)		369,062	370,000	221,120	(2,523,312)	-
INCREASE (DECREASE) IN FUND BALANCE						
		184,667	259,660	111,003	(2,523,312)	-
BEGINNING FUND BALANCE						
		2,227,642	2,412,309	2,412,309	2,523,312	-
ENDING FUND BALANCE						
		\$ 2,412,309	\$ 2,671,969	\$ 2,523,312	\$ -	\$ -

Work in Progress Detail

Project	Account	Actual	Adopted	YTD-Jan 31	Projected	Adopted
		2010-2011	2011-12	2012	2011-12	2012-13
Affordable Housing Programs	932 00-00 8450 0000	-	50,000	-	-	-
SFR First Time Homebuyers	932 00-00 8450 3131	-	-	-	-	-
SFR Rehab Program	932 00-00 8450 3132	-	-	-	-	-
Duplex Rehabilitation	932 00-00 8451 0000	-	-	-	-	-
Duplex Rehabilitation Grant	932 00-00 8452 0000	-	-	-	-	-
General Plan Update	932 00-00 8XXX	-	100,000	100,000	-	-
Sr. Housing Project	932 00-00 8310 8671-000	-	-	-	-	-
Sr. Housing Proj-CORE	932 00-00 8310 8671-811	176,230	100,000	568	-	-
Sr. Housing Project/NRG	932 00-00 8453 3130	-	-	-	-	-
		176,230	250,000	100,568	-	-

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE
DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY
STAFF REPORT**

To: Honorable Chair & Board Members
From: Curtis Yakimow, Director of Administrative Services
Date: August 27, 2012
For Board Meeting: August 31, 2012

Subject: Recognized Obligation Payment Schedule ("ROPS")

Prior Board Review: Final review of ROPS 1&2 at the meeting of May 8, 2012

Recommendation: That the Board:

- Approve the Resolution adopting the Recognized Obligation Payment Schedule ("ROPS") for the period from January 1, 2013 through June 30, 2013, and direct Successor Agency staff to post the schedule on the Town of Yucca Valley Website and to deliver the ROPS to the San Bernardino County Auditor Controller, State Controller and to the State Department of Finance.


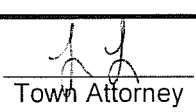
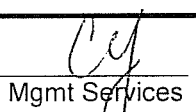
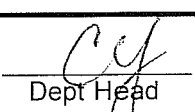
Order of Procedure:

- Staff Report
- Public Comment
- Questions of Staff
- Agency Discussion
- Motion/Second
- Discussion on Motion
- Roll Call (voice vote)

Discussion:

ABx1 26 and SB 1484 require a Recognized Obligation Payment Schedule (ROPS) for all disbursements of the Successor Agency. This schedule is then required to be reviewed and approved by the Oversight Board to the Successor Agency, and subsequently transmitted to the State Department of Finance, the State Controller's Office and the San Bernardino County Auditor Controller for their review and approval.

The first and second ROPS covered the periods from January 2012 through June 2012 and July through December 2012, and was approved by the Oversight Board at the meeting of May 8, 2012. After review by the State, several items on the ROPS were not approved as enforceable obligations. Successor Agency staff then responded in depth regarding the concerns identified by DOF, but did not receive a reply to the communication.

Reviewed By:  Town Manager  Town Attorney  Mgmt Services  Dept Head

Department Report Ordinance Action Resolution Action Public Hearing
 Consent Minute Action Receive and File Study Session

This action was consistent across the State as the Department of Finance (DOF) struggled with understanding the details of each transaction. It appeared that DOF staff was waiting for clarifications to state law that were provided for with the passage of AB 1484. Related communication from the DOF and Successor Agency is attached for the Board's review.

The current ROPS, commonly known as ROPS 3, covers the period of January – June 2013, and will be correlated with the disbursement from the Redevelopment Property Trust Tax Fund (RPTTF) scheduled for January 2, 2013. This schedule is presented to the Board for consideration and approval. Once approved, the ROPS must then be transmitted to the San Bernardino County Auditor Controller, the State Controller and the Department of Finance and posted on the Successor Agency's website by September 4, 2012.

Due to the provisions identified in AB 1484, ROPS 3 includes those items that were not approved by DOF on either ROPS 1 or 2. These include the following:

1. General Plan Contract – Bond Proceeds of \$400,000
2. General Plan Contract – Housing Reserve of \$100,000
3. Southside Phase 1A – Bond Proceeds of \$250,000
4. Regional Wastewater Funding – Bond Proceeds of \$4,150,000
5. Public Infrastructure Program – Bond Proceeds of \$500,000
6. Low/Mod Sr. Housing Project – L/M Reserve of \$500,000

Successor Agency staff believes that each of these expenditures meets the criteria set forth in either ABx1 26 or in AB 1484, and as such, can be classified as an enforceable obligation. If these items are denied by DOF on the ROPS 3 schedule, the Successor Agency staff would immediately seek a "meet and confer" as provided for in AB 1484 to resolve the issues. Through this process, the Successor Agency will have clarification and direction on many of the current uncertainties.

Additional ROPS will be submitted to the Successor Agency, Oversight Board and State agencies for approval for each six month period, from January 1 through June 30 and from July 1 through December 31, until all of the Agency's enforceable obligations have been paid in full.

Therefore, it is Staff's recommendation that the Board approve the ROPS as presented.

Alternatives: None recommended

Fiscal impact: Under AB 26, the Successor Agency may only pay the enforceable obligations of the former Agency listed on the ROPS. The intent of the ROPS 3 is to identify all enforceable obligations payable between January and June 2013.

Attachments: Resolution with ROPS
DOF letter dated May 18, 2012
Successor Agency response letter dated May 24, 2012
DOF letter dated May 25, 2012

OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE DISSOLVED YUCCA VALLEY
REDEVELOPMENT AGENCY
REGULAR MEETING
AUGUST 31, 2012

ROPS
RESOLUTION WITH ROPS SCHEDULE

RESOLUTION NO. OB-

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED YUCCA VALLEY REDEVELOPMENT AGENCY APPROVING AND ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE (“ROPS”) PURSUANT TO HEALTH AND SAFETY CODE § 34176 AND TRANSMITTING THE ROPS TO THE NECESSARY AGENCIES

WHEREAS, the Yucca Valley Redevelopment Agency (“Redevelopment Agency”) is a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code §§ 33000 *et seq.*); and

WHEREAS, the Town of Yucca Valley is a municipal corporation and a general law city organized and existing under the Constitution of the State of California (“City”); and

WHEREAS, on December 29, 2011, the California Supreme Court issued its opinion in the case *California Redevelopment Association, et al. v. Ana Matosantos, etc., et al.*, Case No. S196861, and upheld the validity of Assembly Bill x1 26 (“ABx1 26”) and invalidated Assembly Bill x1 27; and

WHEREAS, the Court’s decision results in the implementation of ABx1 26 which dissolves all the redevelopment agencies in the State of California as of February 1, 2012; and

WHEREAS, the Town is, by operation of law, the Successor Agency to the Redevelopment Agency for purposes of winding-down the Redevelopment Agency under ABx1 26; and

WHEREAS, pursuant to a provision of ABx1 26, codified as Health and Safety Code Section 34177, the Town as Successor Agency is required to adopt the Recognized Obligations Payment Schedule; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, the Oversight Board to the Successor Agency to the Dissolved Yucca Valley Redevelopment Agency, resolves as follows:

Section 1. The foregoing Recitals are true and correct and are incorporated herein.

Section 2. The initial ROPS, attached hereto and incorporated herein by reference as Exhibit “A”, is hereby received and adopted pursuant to Health & Safety Code Section 34177.

Section 3. The Town Manager/Executive Director, Director of Administrative Service or his designee is hereby directed to post this Resolution and the ROPS on the Successor Agency's website and to provide notice of adoption of the ROPS by the Oversight Board of the Successor Agency to the County auditor-controller, the State Controller and the State Department of Finance. A notification providing the website location of the posted schedules and notifications of any amendments shall suffice to meet this requirement.

PASSED, APPROVED, AND ADOPTED this 31st day of August, 2012.

CHAIR

ATTEST:

SECRETARY

EXHIBIT A

RECOGNIZED OBLIGATION PAYMENT SCHEDULE
JANUARY – JUNE 2013

[Attached behind this page]

Successor Agency Contact Information

Name of Successor Agency: Town of Yucca Valley
County: San Bernardino

Primary Contact Name: Curtis Yakimow
Primary Contact Title: Director of Admin Services
Address: 57090 29 Palms Hwy
Contact Phone Number: 760-369-7207
Contact E-Mail Address: cyakimow@yucca-valley.org

Secondary Contact Name: Mark Nuaimi
Secondary Contact Title: Town Manager
Secondary Contact Phone Number: 760 369-7207
Secondary Contact E-Mail Address: mnuaimi@yucca-valley.org

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: Town of Yucca Valley

		Total Outstanding Debt or Obligation
Outstanding Debt or Obligation		\$ 15,991,250
Current Period Outstanding Debt or Obligation		Six-Month Total
A	Available Revenues Other Than Anticipated RPTTF Funding	5,421,250
B	Anticipated Enforceable Obligations Funded with RPTTF	506,572
C	Anticipated Administrative Allowance Funded with RPTTF	125,000
D	Total RPTTF Requested (B + C = D)	631,572
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be the same amount as ROPS form six-month total</i>		\$ 6,052,822
E	Enter Total Six-Month Anticipated RPTTF Funding <i>(Obtain from county auditor-controller)</i>	635,000
F	Variance (E - D = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ 3,428
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))		
G	Enter Estimated Obligations Funded by RPTTF <i>(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)</i>	692,000
H	Enter Actual Obligations Paid with RPTTF	558,000
I	Enter Actual Administrative Expenses Paid with RPTTF	145,000
J	Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	-
K	Adjusted RPTTF <i>(The total RPTTF requested shall be adjusted if actual obligations paid with RPTTF are less than the estimated obligation amount.)</i>	\$ 631,572

Certification of Oversight Board Chairman:
Pursuant to Section 34177(m) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Obligation Payment Schedule for the above named agency.

Name

Title

Signature

Date

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)
January 1, 2013 through June 30, 2013

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	Funding Source						
									LMIHF	Bond Proceeds	Reserve Balance	Admin Allowance	RPTTF	Other	Six-Month Total
	Grand Total						\$ 15,991,250	\$ 6,464,393	\$ 621,250	\$ 4,800,000	\$ -	\$ 125,000	\$ 506,572	\$ -	\$ 6,052,822
1	2008 Tax Allocation Bonds	6/1/2008	n/a	Bank of New York	Debt Service	One	9,745,000.00	738,143.00							464,072
2	Southside Phase IA	5/28/2009	12/31/2012	RHA/DWC	Southside Neighborhood Park Phase 1A	One	250,000.00	250,000.00		250,000					250,000
3	Successor Agency Administration	2/1/2012	n/a	Town of Yucca Valley	Personnel and other administrative costs	One	250,000.00	250,000.00				125,000			125,000
4	Special Audit Costs	5/3/2011	12/31/2013	Rodgers Anderson Malody Scott	Specialized Audit Costs beyond normal Agency Admin	One	40,000.00	40,000.00					30,000		30,000
5	Insurance Costs	12/5/2011	Ongoing	PARSAC	Insurance Costs of Successor Agency	One	10,000.00	10,000.00					10,000		10,000
6	General Plan Update RDA Portion	6/21/2011	6/30/2013	The Planning Center	RDA Bond Fund committed portion of GP Update	One	400,000.00	400,000.00		400,000					400,000
7	General Plan Update RDA Portion	6/21/2011	6/30/2013	The Planning Center	RDA L/M committed portion of GP Update	One	100,000.00	100,000	100,000						100,000
8	Regional Wastewater Funding	6/1/2008	n/a	Hi Desert Water District	Payment and financing of wastewater connection fees	One	4,150,000.00	4,150,000		4,150,000					4,150,000
9	Regional Infrastructure Funding	6/1/2008	n/a	Army Corp/TBD	Payment of regional drainage infrastructure	One	500,000.00	-							-
10	National CORE Low/Mod Housing Prj	12/1/2010	n/a	National CORE	Contribution commitment to planned Low/Mod Sr. Prj	One	500,000.00	500,000	500,000						500,000
11	Affordable Housing Monitoring	8/1/1994	Ongoing	Affordable Housing Group	Monitoring service for low/mod housing units	One	1,250.00	1,250	1,250						1,250
12	Property Held for Resale - Utility Exp	6/30/2009	Ongoing	SCE, SCG, HDWD	Utility expense for RDA prop held for resale	One	5,000.00	5,000					2,500		2,500
13	National CORE LM Project Legal Cost	6/17/2010	Ongoing	Aleshyre & Wynder	Project related legal expenditure - National CORE	One	40,000.00	20,000	20,000						20,000
14															-
15															-
16															-
17															-
18															-
19															-
20															-
21															-
22															-

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III) -- Notes (Optional)
January 1, 2013 through June 30, 2013

Item #	Notes/Comments
6	General Plan Contract - RDA Bond Fund of \$400,000 as committed to in March 2011, and through RDA budget action dated 6/21/2011. See attached Letter dated May 24, 2012.
7	General Plan Contract - RDA Housing Reserve Fund of \$100,000 as committed to in March 2011, and through RDA budget action dated 6/21/2011. See attached Letter dated May 24, 2012.
2	Southside Phase 1A - Bond Funds of \$250,000 as provided for as part of the original Tax Allocation Bonds in 2008. See attached letter dated May 24, 2012.
8	Regional Wastewater Funding - Bond Funds of \$4,150,000 for funding of Connection Fees as provided for as part of the original Tax Allocation Bonds in 2008. See attached letter dated May 24, 2012.
9	Public Infrastructure Program - Bond Funds of \$500,000 for Drainage Infrastructure as provided for as part of the original Tax Allocation Bonds. See attached letter dated May 24, 2012.
10	Low/Mod Housing Project - RDA Contribution from Low/Mod Fund of \$500,000 pursuant to multiple agreements/commitments dated prior to June 28, 2011. See attached letter dated May 24, 2012.
	<i>These items were included in the Successor Agency's ROPS 1 & 2 requests, and were denied by DOF for various reasons.</i>
	<i>The Successor Agency believes that each of these items is wholly defensible as justified expenditures in accordance with the reasonable interpretation of both AB 1X26 and AB 1484.</i>
	<i>Accordingly, if the DOF is of the position that these remain ineligible expenditures, the Successor Agency would request a "meet and confer" as provided for in AB 1484 to resolve these differences.</i>

Pursuant to Health and Safety Code section 34186 (a)
 PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS
 RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS I)
 January 1, 2012 through June 30, 2012

Page/Form	Line	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	LMIHF		Bond Proceeds		Reserve Balance		Admin Allowance		RPTTF		Other	
						Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
		Grand Total				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,000	\$ 137,000	\$ 547,000	\$ 516,000	\$ -	\$ -
A	1	2008 Tax Allocation Bonds	Bank of New York	Debt Service	One									458,000	458,000		
A	3	Consulting Obligations	RSG/Others	Professional and other services	One									24,000	20,000		
A	5	Legal Services	Aleshire & Wynder	Legal services	One									20,000	18,000		
A	6	Audit Expenditures	RAMS/Town of Yucca Valley	Professional and other services	One									45,000	20,000		
C	1	Admin Costs	Town of Yucca Valley	Admin Services - Successor Agency	One							125,000	125,000				
C	2	Admin Costs	Town of Yucca Valley	Admin Services - Oversight Board	One							20,000	12,000				

OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE DISSOLVED YUCCA VALLEY
REDEVELOPMENT AGENCY

REGULAR MEETING

AUGUST 31, 2012

ROPS

DOF CORRESPONDENCE



May 18, 2012

Curtis Yakimow, Director of Administrative Services
Town of Yucca Valley
57090 29 Palms Hwy
Yucca Valley, CA 92284

Dear Mr. Yakimow:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Town of Yucca Valley Successor Agency submitted Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 8, 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 obligation (EO) characteristics. Based on a sample of line items reviewed and application of the law, the following do not qualify as EOs:

January through June 2012 ROPS

- HSC section 34163(b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 28, 2011. The following items had contracts that were executed after June 27, 2011 and the RDA was not a party to the contract:
 - Page 1, items 2 and 4 in the amount of \$465,000
 - Page 2, item 1 in the amount of \$250,000
 - Page 2, item 8 in the amount of \$100,000 for the January through June 2012 period
- Page 2, items 2 and 5 in the amount of \$4.7 million. No valid contracts have been executed for anticipated projects.
- Page 2, item 7 in the amount of \$3.2 million. An Exclusive Negotiation Agreement (ENA) and a Disposition and Development Agreement (DDA) were provided. The ENA, executed on January 10, 2011, is considered an intent to initiate a project and is not a valid agreement. The DDA, executed March 20, 2012, was between the Town of Yucca Valley and the developer, not the RDA. Therefore, this item is not an EO.

July through December 2012 ROPS

- HSC section 34163(b) prohibits a redevelopment agency (RDA) from entering into a contract with any entity after June 27, 2011. The following items had contracts that were executed after June 28, 2011 and the RDA was not a party to the contract:
 - Page 1, items 2 and 4 in the amount of \$465,000
 - Page 2, item 1 in the amount of \$250,000

- Page 2, item 8 in the amount of \$100,000 for the January through June 2012 period
- Page 2, items 2 and 5 in the amount of \$4.7 million. No valid contracts have been executed for anticipated projects.
- Page 2, item 7 in the amount of \$3.2 million. An Exclusive Negotiation Agreement (ENA) and a Disposition and Development Agreement (DDA) were provided. The ENA, executed on January 10, 2011, is considered an intent to initiate a project and is not a valid agreement. The DDA, executed March 20, 2012, was between the Town of Yucca Valley and the developer, not the RDA. Therefore, this item is not an EO.

In addition, HSC Section 34171(b) limits administrative expenses for fiscal year 2011-12 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The following items were considered administrative expenses:

- Page 1, items 3, 5, and 6
- Page 3, items 1 and 2

The Successor Agency should ensure that administrative expenses stay within the administrative allowance cap.

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

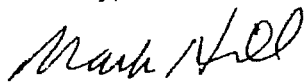
Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

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 and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

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: Mr. Mark Nuaimi, Town Manager, Town of Yucca Valley
Ms. Franz Zyss, Accountant III, San Bernardino County Auditor Controller
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor Controller
Ms. Linda Santiliano, Supervising Accountant, San Bernardino County Auditor Controller

May 24, 2012

State of California
Department of Finance
Mr. Mark Hill; Program Budget Manager
915 L Street
Sacramento, CA 95814-3706

VIA E-MAIL

RE: ROPS Notification dated May 18, 2012

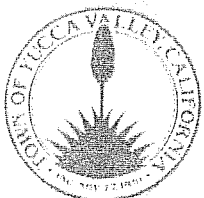
Dear Mr. Hill;

The Town of Yucca Valley acting as Successor Agency to the Yucca Valley Redevelopment Agency is in receipt of your letter dated May 18, 2012 regarding the Agency's January through June 2012 ROPS and the July through December 2012 ROPS.

The Agency is most concerned in the DOF's interpretations of the HSC as it relates to the identification of Agency's enforceable obligations as listed on its ROPS. Without further consideration, the Agency will face significant challenges in meeting its committed obligations, thereby threatening the payment of vendors, contractors and bondholders.

The clear and express intent of AB1x 26 is to honor bonds and the types of obligations described in Health & Safety Code section 34171(d) and require to be listed in the Initial ROPS and the Second ROPS. Health and Safety Code section 34175(a) provides, "It is the intent of this part that *pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored*. It is intended that *the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.*"

To assist the DOF in its analysis of each of the items listed on the ROPS, the Agency presents the following information as additional support. Because the items on the January – June and July – December 2012 ROPS are the same, we will present the information as related to the July – December 2012 ROPS. Please utilize the same information in your reconsideration of the January – June 2012 ROPS as well.



The Town of
Yucca Valley

57000 Twentynine Palms Highway • Yucca Valley, California 92284
760/369-7207 • FAX 760/369-0626

July through December 2012 ROPS

With regard to Enforceable Obligations to be paid out of the Redevelopment Property Tax Trust Fund (RPTTF) found on Page 1, the Town / Successor Agency offers the following:

1. Page 1 / Item 1 – 2008 Bond Proceeds – since this item was not questioned in the latest DOF communications to the Town, no additional information is provided and the Town assumes this item is approved;
2. Page 1 / Item 2-- General Plan Update –

Background: The Town’s General Plan is a state-mandated planning document that provides entitlement for future development for all land within the Town. Without an updated General Plan, property values are threatened and it is in the interest of all taxing entities to have an updated General Plan to support future property tax revenue growth and to ensure stability in property values throughout the community.

Agency Actions: The former Redevelopment Agency board approved a contract with the Town of Yucca Valley at their meeting of March 15, 2011. Included in the scope of work for this contract (“Attachment 1 to Exhibit A” – stamped page 66) was scope element “i” (General Plan Update). This document is attached to this transmittal and the specific reference is shown below:

ATTACHMENT 1 TO “EXHIBIT A”

“SCOPE OF WORK” AND DESCRIPTION OF
PUBLIC IMPROVEMENT AND PLANNING PROJECTS TO BE PERFORMED BY
TOWN 2011

- i. General Plan Update – This project includes funding required to support the comprehensive update of the General Plan for the Town of Yucca Valley

Tasks Include:

- a) Community Vision Development
- b) Land Use Element Update (Focused Planning Areas: Eastside, Mid-Town, Old Town)
- c) Circulation Update (Old Town: Realignment Alternatives Analysis)
- d) Environmental Review Under CEQA

Preliminary Agency Contribution is \$500,000

As the Agency originally provided information to the DOF staff analyst, the RDA’s contribution to the General Plan update was authorized through budget actions on **June 21, 2011**. These budget actions were consistent with the March 2011 contract between the Town and the Agency. This information is attached again for your reference.

Town Actions: The Town Council began the process of updating the General Plan through a series of actions that date back to a January 7th, 2011 Strategic Planning Session.

At that January 7, 2011 Strategic Planning meeting of the Town Council, Council was presented with the need to update the General Plan. Staff estimated that the cost would be approximately \$1 million and Redevelopment Agency contribution was identified at that point. The Town Council then authorized release of a Request for Proposals at their meeting of February 15, 2011. That action authorized an investment of General Fund resources and staff was tasked to bring back a complete funding strategy that allocated a portion of the costs the Redevelopment Agency. Since the scope of the project included focused land use discussions in the Redevelopment Project Area, roughly half the costs of the total project were allocated to the Agency. The Planning Center was selected and the contract was awarded at the June 21, 2011 meeting of the Town Council. While the contract with the Planning Center was executed in parts after council action, the council authorization occurred prior to June 27, 2011, which is required prior to the Town being able to enter into any contract.

Specific Responses to Comments:

- With respect to the fact that the RDA was not a “party” to the contract, this could not be further from the original commitment as approved by the RDA board June 21, 2011. At that meeting, the RDA board specifically authorized the expenditure of funds on this project. The mechanics of actual payment are simply a matter of administering and implementing the Agency’s reimbursement agreement between the Town and RDA executed back in 1992 (i.e., within two years of the RDA's formation and thus valid pursuant to Health & Safety Code section 34171(d)(2)). A copy of this reimbursement agreement is again attached for your reference.
- This General Plan work is "vested" with a third-party through a third-party contract that is already well-underway, with funds expended and has been moving forward since Council and RDA authorization on June 21, 2011. The actions taken to authorize the General Plan Update, including the contributions from the RDA tax increment and low/mod funds, were authorized in accordance with CRL at that time. This project would not have been approved at that time if the funding structure as identified was not in place. To hinder the project now is inconceivable as it would place the Town and RDA in a precarious position with respect to the contract executed between the Town and the Planning Center, with a state-mandated General Plan update half completed.

Next Steps: If DOF continue to refuse to accept this contract as a valid Enforceable Obligation, the Successor Agency will bring forward action pursuant to Health and Safety Code (HSC) 34178 that empowers the Oversight Board to reenter into agreements between the Town and the Successor Agency.

3. Page 1 / Item 3 – RSG Consulting Services – refer to response concerning Administrative Expenditures;
4. Page 1 / Item 4- PARSAC Contract -- Insurance costs related to the Successor Agency are costs that are recoverable as operational expenditures fronted by the Town. The basis for recovery is the reimbursement agreement between the Town and RDA dated October 1, 1992 (again, within two years of the RDA's formation and thus valid pursuant to Health & Safety Code section 34171(d)(2)). If this enforceable obligation is not upheld, the Successor Agency will be forced to operate without risk management coverage, with potential exposure on multiple fronts, from property held, to daily operations.
5. Page 1 / Item 5 – Aleshire & Wynder Legal Services – refer to response concerning Administrative Expenditures;
6. Page 1 / Item 6 – RAMS Audit Support Services – refer to response concerning Administrative Expenditures;
7. Page 1 / Item 7 – SERAF Repayment – since this item was not questioned in the latest DOF communications to the Town, no additional information is provided and the Town assumes this item is approved;

With regard to Enforceable Obligations to be paid out of non-RPTTF sources (Bond Proceeds & Low / Mod Income Housing Fund) found on Page 2, the Town offers the following information and then addresses each of the items specifically.

Background:

The RDA's existing tax increment bonds issued in 2008 required that expenditures go toward specific projects and project categories. In addition, the 2008 bonds are not callable until **2019 at the earliest**. If projects funded through these tax exempt Bond Proceeds are not deemed enforceable obligations, the Agency will likely be in a position whereby it may not be in compliance with the legal responsibilities associated with the issuance of these bonds. As indicated on page 6 of the Official Statement of the \$10,625,000 Yucca Valley Redevelopment Agency Tax Allocation Bonds, Series 2008, the bond documents specifically dedicate expenditures to this project as follows:

FINANCING PLAN

Proceeds from the sale of the Bonds will be used to (a) finance redevelopment activities within and for the benefit of the Redevelopment Project, (b) refund the 1995 Bonds, (c) refund the 2004 Bonds, (d) fund a reserve account for the Bonds, and (e) provide for the costs of issuing the Bonds. Potential projects currently expected to be funded in whole or in part using proceeds of the Bonds include the following:

- Property acquisition;
- Preliminary design, engineering and special studies;
- Street improvements;
- Public infrastructure construction;
- Flood control improvements;
- Median islands and island landscaping;
- Sidewalk improvements; and
- Park improvements

-6-

The 2008 Bond issuance clearly constitutes an "enforceable obligation" of the former RDA. (See Health & Safety Code section 34171(d)(1)(A) and (B).) Section 34174(a) provides that "nothing in [AB1x 26] is intended to be construed as an action or circumstance that may give rise to an event of default under any of the documents governing the enforceable obligations." Section 34175(a) further provides that "It is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. . ." Finally, and most directly on point, Section 34177(b) expressly provides that "*[b]ond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case the proceeds may be used to defease the bonds.*" (Emphasis added.) Since the purposes for which the former RDA's bonds still can be achieved, with the Town acting as the former RDA's successor, *the unexpended bond proceeds must be used for those purposes.* It would be a violation of AB1x 26 to prevent the Agency from using the bond proceeds accordingly.

If the DOF is still of the opinion that these are not enforceable obligations, the Agency would respectfully request that the DOF provide the appropriate legal strategy for meeting the prior obligations of the tax exempt bonds, one that meets all of the federal, state, Securities and Exchange Commission and IRS requirements related to the 2008 issue. The Agency would also expect DOF to provide indemnification against any legal actions against the Agency.

As to the specific items called out on Page 2 of the ROPS, the Agency offers the following rationale for further consideration:

1. Page 2, Item 1 – Southside Park: The expenditure of \$250,000 toward the Southside Park project is related to the valid expenditure of bond funds (Park Improvements). This project help maintain and enhance property values throughout the community, yielding a specific benefit to all taxing entities that are recipients of Property Tax revenues within the Town of Yucca Valley.
2. Page 2, Item 2 – Regional Wastewater Funding:

Background: The State Water Board recently imposed a septic tank prohibition affecting a majority of the properties within the Town of Yucca Valley and the former Redevelopment Area. By 2016, all septic tanks must be decommissioned and a central regional wastewater sewer system is required. Such a mandate could have tremendous impacts on property values throughout the community if a funding strategy is not formulated.

Impacts to Taxing Entities: A number of taxing entities within Yucca Valley are directly impacted by the mandate to decommission septic and connect to the developing regional wastewater system. These liabilities exist for Morongo Unified School District (over \$1 million), Town of Yucca Valley, County of San Bernardino, County Fire District, and the Hi-Desert Water District.

Agency Actions: The former Redevelopment Agency board approved a contract with the Town of Yucca Valley at their meeting of March 15, 2011. Included in the scope of work for this contract (“Attachment 1 to Exhibit A” – stamped page 66) was scope element “ii” (Regional Wastewater System Design & Development). This document is attached to this transmittal and the specific reference is shown below:

ATTACHMENT I TO “EXHIBIT A”

“SCOPE OF WORK” AND DESCRIPTION OF
PUBLIC IMPROVEMENT AND PLANNING PROJECTS TO BE PERFORMED BY
TOWN 2011

- ii. Regional Wastewater System Design & Development – This project will assist the High Desert Water District through the development of a detailed design for the Regional Wastewater System. The design will address the regional treatment facility as well as the Phase I collection system as called out in the Sewer Master Plan and as mandated by the proposed Basin Plan Amendment of the Regional Water Quality Control Board – Colorado Region.

Tasks Include:

- a) Survey and Mapping
- b) Treatment Plant Design
- c) Collection System Design

Preliminary Agency Contribution is \$4,500,000

Consistency with Bond Issuance: The Agency's investment in the regional wastewater treatment plant falls under the two classifications of projects: "Preliminary Design, Engineering, and Special Studies" and "Public Infrastructure Construction".

Next Steps: Pursuant to Health and Safety Code (HSC) 34178, the Successor Agency and Town will re-enter into agreement, contingent upon Oversight Board review and approval, to support the "Regional Wastewater System Design and Development." This will include a 3rd party agreement with the Hi-Desert Water District to provide funding towards the wastewater treatment facility in exchange for pre-payment/retirement of the connection liability costs for each of the local taxing entities.

3. Page 2, Item 5 – Public Infrastructure Program: The expenditure of \$500,000 towards the Master Plan of Drainage project is related to the valid expenditure of bond funds (Flood Control Improvements). This project has been under development since 2007.
 - a. In October 2007, the U.S. Army Corp of Engineers published a report on potential federal funding for flood control improvements within the Town of Yucca Valley. The U.S. Army Corp of Engineers Report identified three alternative flood control projects for consideration, including Water Canyon, Yucca Creek, and Long Canyon. The Town of Yucca Valley evaluated the potential of each project to eliminate future storm damage to properties within the vicinity of each project, and therefore evaluated the resulting preservation and increased property values to the taxing entities resulting from the construction of the facilities.
 - b. Based upon these evaluations, on December 13, 2007, the Yucca Valley Town Council approved financial participation with the U.S. Army Corp of Engineers in the preparation of feasibility studies for the Long Canyon Channel and Basin Project. The Long Canyon Channel and Basin project is a planned regional flood control facility as identified in the Yucca Valley Master Plan of Drainage. The Long Canyon Channel and Basin project, when constructed, provides protection from rain storm events to both public agency and private owned properties. Protecting properties from flood damage is a key element to improving property values and it is in the interest of all taxing entities to support future property tax revenue growth and to ensure stability in property values throughout the community.
 - c. When completed, the U.S. Army Corp of Engineers Report may authorize continued expenditure of federal resources for the project that will benefit tax revenue growth and around the project.
 - d. The U. S. Army Corp of Engineers Report is due to be released in June 2012. Based upon the results of the Report, the Town, and the Successor Agency to the former Redevelopment Agency, will enter into an agreement with the U.S. Army Corp of Engineers for the preparation of construction plans and

specifications for the project. This cost is currently projected at \$625,000 of which the Town and the Successor Agency to the former Redevelopment Agency will be responsible for 50%, or \$312,500, of those costs.

- e. When plans and specifications are completed, the project will be eligible for federal construction funding. Construction cost estimates are estimated at approximately \$2.5 million, and the Town and Successor Agency to the former Redevelopment Agency will be responsible for 30%, or \$875,000 of total project costs.

Agency Actions: The former Redevelopment Agency board approved a contract with the Town of Yucca Valley at their meeting of March 15, 2011. Included in the scope of work for this contract ("Attachment 1 to Exhibit A" – stamped page 67) was scope element "iii" (Public Infrastructure Program). This document is attached to this transmittal and the specific reference is shown below:

- iii. Public Infrastructure Program – The objective of this program is the participation in the ongoing initiative to develop regional flood control facilities to protect properties located in the Redevelopment Project Area. Program will contribute resources towards the implementation of the County's Master Plan of Drainage.

Tasks Include:

- a) Long Canyon Basin Design
- b) Long Canyon Basin Construction
- c) Kickapoo Basin Design
- d) Kickapoo Basin Property Acquisition
- e) Kickapoo Basin Construction
- f) East Burnt Mountain Basin Property Acq.
- g) West Burnt Mountain Basin Property Acq.
- h) Blue Skies Basin Property Acq.

Preliminary Agency Contribution is \$5,000,000

Similar to the Regional Wastewater Funding, this item represents expenditure of existing 2008 tax increment bond funds. The flood control improvement project associated with this expenditure is anticipated to be memorialized in a contract between the Successor Agency and a third-party (either County Flood Control or Army Corps of Engineers) and reviewed and approved by the Oversight Board.

Again, we emphasize that Section 34177(b) expressly provides that "[b]ond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case the proceeds may be used to defease the bonds." (Emphasis added.) Since the purposes for which the former RDA's bonds still can be achieved through the Oversight Board process outlined above, with the Town acting as the former RDA's successor, the unexpended bond proceeds must be used for those purposes.

In an effort to be transparent, the Agency has listed these projects for the Oversight Board, the DOF and all related parties to understand the nature of the planned spend-down of tax increment bond proceeds as required by the original 2008 bond issue.

Again, if the DOF is of the opinion that these are not enforceable obligations, the Agency would respectfully request that the DOF provide the appropriate legal strategy for meeting the prior obligations of the tax exempt bonds, the meets all of the federal, state, Securities and Exchange Commission and IRS requirements related to the 2008 issue. The Agency would also expect DOF to provide indemnification against any legal actions against the Agency.

Low and Moderate Income Housing Fund

There are two expenditures outlined from LMIHF – funding for the General Plan update (included on the February – June 2012 ROPS) and funding towards an affordable housing project that the former Redevelopment Agency has been pursuing since June 2010.

1. Page 2, Item 8 (February – June 2012 ROPS) – This expenditure is related to the completion of the General Plan update underway as described previously, with the exception that the funding source is the Low/Mod funds for this portion. The rationale for using Low/Mod funding to support the development of the General Plan is simple – the state mandates an update to the Town's Housing Element every five years. A primary focus to this update is developing strategies for accommodating extremely low, very low, low and moderate income housing. As described previously, this obligation has been underway since the Strategic Planning Session on January 7, 2011, with funding provided by the RDA board at the June 21, 2011 RDA board meeting.
2. Page 2, Items 7 –The ENA authorized in December 2010 memorialized a commitment by the RDA to expend its Low/Mod dollars as required by state law. This commitment was made between the RDA and National CORE, and represented a commitment of the approximate fund balance in the Low/Mod fund at that time. Since the approval in December 2010, the Agency has taken progressive steps in attempting to obtain additional sources of funds for the committed project. Considering that the Town of Yucca Valley has assumed the Housing function of the former Redevelopment Agency, this activity is now within the realm of the Town. As such, the Town is committed to executing the prior obligation of the RDA's low/mod fund that was authorized in December 2010.

Furthermore, even though the March 20, 2012 DDA was a "Town" agreement rather than a contract of the former RDA, that DDA dedicates former RDA funds to the National CORE project and essentially vests the project and all associated assets (whether Town, RDA or otherwise) with CORE. In other words, regardless of whether DOF believes the ENA was a "valid" agreement, the terms of that ENA were subsequently vested into the hands of a third-party developer pursuant to the DDA, which DDA clearly does qualify as a "firm" contractual commitment.

Administrative Expenditures -

The DOF communication aggregates ALL administrative expenditures in a lump sum of a not to exceed cap in the case of the Agency of \$250,000. It is simply not possible to limit contract legal, audit and consultation costs, along with internal staffing costs to a maximum of \$250,000, and continue to administer the wind-down process in a manner that is consistent with the fiduciary responsibilities envisioned in the AB 26 legislation. For example, during the first two months of this process, legal costs alone have exceeded \$50,000. This does not include staff time involved in the preparation of all the material required by the DOF as part of the ROPS process.

If the DOF cannot support these other line items individually as enforceable obligations, then the Agency would respectfully request the DOF to determine another source of funds from which necessary administrative functions can be paid from, or alternatively, what administrative functions are not necessary.

Conclusion

While the Agency can appreciate the difficulty facing the DOF in the wind-down process, the Agency would request the same consideration from DOF in terms of identifying the best way forward. For the items listed above, if DOF persists in rejecting an identified Agency enforceable obligation, the Agency would request, as part of DOF's review and response, that a reasonable alternative approach be identified. For example, should bond proceeds not be deemed expendable for identified projects, how then should the proceeds be expended in accordance with the original intent and commitments of the bond documents?

In such cases, the Agency would typically rely on the advice and services of related professionals in the determination of these activities; however, DOF is disallowing the expenditures of funds on such tasks by requiring adherence to an artificially low cap on administrative expense. We trust that this information will assist in the DOF in understanding the nature of the Agency's enforceable obligations, and the Agency respectfully requests reconsideration of the rejected items in accordance with HSC 34171(d).

Due to the short timeframes surrounding the ROPS process, we respectfully request DOF to provide a response to the Agency's position within three (3) days of this letter. Similarly, the Agency requests immediate clarification from the DOF as to whether the Agency is required to re-submit its ROPS to the DOF and/or County Auditor-Controller, and if so in what format? Staff's interpretation of DOF's May 18, 2012, letter was that the last-submitted ROPS was deemed "approved" as to all items not specifically rejected by DOF—meaning that those "approved" items would be subject to the June funding distributions. However, if that interpretation is in error and/or the Agency is required to re-submit its ROPS in a different format or with different information, we need to know that

Mr. Mark Hill
Department of Finance
May 24, 2012
Page 11

information in detail immediately, *as the Agency is facing a June 1 debt service payment. Any delay in funding will limit the Agency's ability to make such payment.*

If any further assistance is needed in this matter, please contact me at (760) 369-6585 ext. 232 to discuss.

Sincerely,

Curtis Yakimow
Treasurer

cc Mark Nuaimi, Executive Director

May 25, 2012

Curtis Yakimow, Director of Administrative Services
Town of Yucca Valley
57090 29 Palma Hwy
Yucca Valley, CA 92284

Dear Mr Yakimow:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Town of Yucca Valley submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on May 8, 2012 for periods of the January to June 2012 and July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letters dated April 20, 2012 and May 18, 2012, Department of Finance is approving the remaining items listed in your ROPS for both periods. This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

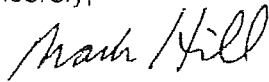
Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Mr Yakimow
May 25, 2012
Page 2

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

Sincerely,

A handwritten signature in cursive script that reads "Mark Hill".

MARK HILL
Program Budget Manager

cc: Mr. Mark Nuaimi, Town Manager, Town of Yucca Valley
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor Controller
Ms. Linda Santillano, Supervising Accountant, San Bernardino County Auditor Controller
Ms. Franz Zyss, Accountant III, San Bernardino County Auditor Controller