



April 1, 2013

Ms. Roberta Raper, Director of Finance
City of Grass Valley,
125 East Main Street
Grass Valley, CA 95945

Dear Ms. Raper:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grass Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 15, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

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

- Item No. 6 – Lease Revenue Bond Debt Service Payment in the amount of \$1,332,191. Our review indicated that the Indenture of Trust for the Lease Revenue Bonds is between the Association of Bay Area Governments and the City, and not the RDA. The City entered into a Reimbursement Agreement with the RDA for the RDA to pay up to 73.32% of the debt service payments on the bonds. However, the reimbursement agreement does not specify any specific redevelopment project for the bond proceeds to be used for. Furthermore, the Agency has not been able provide documentation to demonstrate the use of bond proceeds for enforceable obligations. HSC section 34171(d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency (RDA) are not enforceable obligations. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No.15 – Upper Slide Ravine Project in the amount of \$352,231. The Agency has entered into a Cooperative Agreement on January 17, 2011 with the City of Grass Valley (City) to provide funding for various Public Improvement Projects. HSC section 34171(d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency (RDA) are not enforceable obligations. The Cooperative Agreement is not enforceable unless banded by a third party agreement entered between the date of this agreement and prior to June 28, 2011. The City had contracts for this project prior to the date of the Cooperative Agreement which are considered obligation of the City, not the

former RDA. Therefore, this item is not an enforceable obligation and not eligible for funding from the RPTTF.

Except for item denied in whole or in part as enforceable obligation, Finance is not objecting to the remaining item listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

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

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$540,903 as summarized below:

Approved RPTTF Distribution Amount	
For the period of July through December 2013	
Total RPTTF funding requested for obligations	\$ 538,500
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 6	79,303
Item 15	29,794
Total approved RPTTF for enforceable obligations	\$ 429,403
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	111,500
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 540,903

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the above table includes only the prior period adjustment that was self-reported by the Agency.

Finance noted that the Agency reported an actual obligations and administrative expenses paid with RPTTF in the amount of \$543,306. Our review of the CAC distribution report indicates that the Agency received \$638,311 to pay ROPS II obligations. Therefore, Finance encourages the CAC to audit the Agency's self-reported expenses and make any necessary adjustments to the Agency's future RPTTF distributions as authorized by HSC section 34186 (a).

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time

period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

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

Please direct inquiries to Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Dan Holler, City Administrator, City of Grass Valley
Ms. Marcia L. Salter, Auditor-Controller, County of Nevada
California State Controller's Office