



May 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 1, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grass Valley Successor Agency (Agency) submitted a ROPS 13-14A to Finance for the period of July through December 2013. Finance issued a ROPS determination letter on April 1, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 30, 2013.

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

- Item No. 6 – Lease Revenue Bond Debt Service Payment in the amount of \$1,332,191. Finance no longer denies this item. During the Meet and Confer process, the Agency provided additional documentation which identified that the 2001 Lease Revenue Bonds refinanced the Agency's 1995 Tax Allocation Bonds. Our review indicated that the former Redevelopment Agency (RDA) entered into a cooperative agreement with the City of Grass Valley (City) in December 2001, which was approved by resolution of the Agency Board, solely for the purpose of securing funding for the 2001 lease revenue bonds and at the time of debt issuance. HSC 34171 (d)(2) states that written agreements entered into at the time of issuance and solely for the purpose of securing or repaying those debt obligations may be deemed enforceable obligations. Therefore, this item is an enforceable obligation and eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding.
- Item No.15 – Upper Slide Ravine Project (Project) in the amount of \$352,231. Finance continues to deny the item. The Agency stated that due to the 1986 and 2011 Cooperative Agreements between the Agency and the City, as well as third party contracts executed between the City and TLA Engineering and Planning in 2009, the Upper Slide Ravine project is an enforceable obligation. Upon review of the additional documents provided during the Meet and Confer process, we determined that Upper Slide Ravine project is not enforceable because the cooperative agreement was not signed at the time of issuance of the debt. While the Cooperative Agreement entered

into on January 17, 2011, identifies the specific project and amounts to be committed, the project already had pre-existing contracts between the City and third parties. HSC section 34171(d) (2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the RDA and the former RDA are not enforceable obligations. HSC 34171 (d)(2) also states that written agreements entered into at the time of issuance and solely for the purpose of securing or repaying those debt obligations may be deemed enforceable obligations. Therefore, the former RDA did not previously pledge funds to the Project and the Agency is not responsible for funding the project. Therefore, this item is not an enforceable obligation and not eligible for funding from the RPTTF.

Even though this item was not previously denied, all items listed on this or future ROPS are subject to review. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i).

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$620,206 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 15	29,794
Total approved RPTTF for enforceable obligations	\$ 508,706
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	111,500
Minus: ROPS II prior period adjustment	-
Total RPTTF approved for distribution:	\$ 620,206

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).

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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 Evelyn Suess, Dispute Resolution Supervisor, or Derk Symons, 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