



May 16, 2014

Ms. Maryanne Hoffler, Administrative Services Manager
City of Grass Valley
125 East Main Street
Grass Valley, CA 95945

Dear Ms. Hoffler:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 14, 2014. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grass Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to Finance on March 3, 2014 for the period of July through December 2014. Finance issued a ROPS determination letter on April 14, 2014. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 6, 2014.

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

During our initial review, Finance determined the Agency possessed funds that should be used prior to requesting funding from the Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, the funding source for Item No. 22 – 2013 Tax Allocation Refunding Bond in the amount of \$200,000 had been reclassified to Reserve Balance because in the January 2014 through June 2014 (ROPS 13-14B) period, Finance had approved \$200,000 of RPTTF funding for debt service reserve under Item No. 17, which should be used for ROPS 14-15A debt service payments. Finance approved the remaining \$3,619 for funding from RPTTF.

During the Meet and Confer process, the Agency contended that due to the Agency's 2013 Tax Allocation Bond (TAB) Refunding of the 2008 TABs, the 2010 TABs are now senior to the 2013 TABs and the debt service for the 2010 TABs had to be fully funded prior to making payments on the 2013 TABs, which was not accounted for in the ROPS 13-14B funding requests. As a result, the Agency expended \$141,119 from Item No. 17 – Reserves on the principal payment for Item No. 8 during the ROPS 13-14B period. Additionally, the ROPS 13-14B payment on the 2013 TABs was \$10,677 greater than the amount requested on Item No. 7 – 2008 TABs, which was paid from Item No. 17 – Reserves. Therefore, the Agency has \$48,204 (\$200,000 - \$141,119 - \$10,677) remaining from Item No. 17 – Reserves to be applied towards Item No. 22 in the ROPS 14-15A period. As such, of the requested \$203,619 for debt service payment due

for Item 22 during ROPS 14-15A, Finance is reclassifying \$48,204 to Reserve Balance and is approving the remaining requested amount of \$155,415 for funding from RPTTF.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

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

Except for the item that has been reclassified, we are approving all of the items listed on your ROPS 14-15A at this time. The Agency's maximum approved RPTTF distribution for the reporting period is \$418,343 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	341,547
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 466,547
<u>Reclassified Item</u>	
Item No. 22	(48,204)
Total RPTTF authorized for non-administrative obligations	\$ 293,343
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 418,343
ROPS 13-14A prior period adjustment	0
Total RPTTF approved for distribution	\$ 418,343

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

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

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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

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

Please direct inquiries to Evelyn Sues, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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