



May 17, 2012

Gayla Chapman, Administrative Services Director
City of Grover Beach
154 South 8th Street
Grover Beach, CA 93433

Dear Ms. Chapman:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Grover Beach (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 2, 2012 for the period 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 obligations (EO) characteristics. Based on our application of the law, the following items do not qualify as EOs:

January through June 2012 ROPS

- Items Nos. 2 and 9 on Form A – Water Fund loan for \$1,000,345 and General Fund loan for \$437,910. HSC section 34171(d)(2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1984. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, the loans are not an EO.

July through December 2012 ROPS

- Items Nos. 2 and 9 on Form A – Water Fund loan for \$1,000,345 and General Fund loan for \$337,910. HSC section 34171(d)(2) states that agreements, contracts or arrangements between the entity that created the redevelopment agency (RDA) and the former RDA are only enforceable if made within the first two years of the RDA's existence. The City RDA was established in 1984. The agreement between the City and the RDA was made subsequent to the first two-year period. Therefore, the loans are not an EO.

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.

Department of 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 inquiries to Chikako Takagi-Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Robert Perrault, City Manager, City of Grover Beach
Barbara Godwin, Property Tax Manager, San Luis Obispo County Auditor