



October 28, 2013

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

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 13-14B) to the California Department of Finance (Finance) on September 20, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 does not qualify as enforceable obligations for the reasons specified:

- Item No. 20 – Tax Allocation Bonds refunding financial analyst report in the amount of \$25,300. Our review notes that the Agency was obligated to request Redevelopment Property Tax Trust Fund (RPTTF) if Resolution OB 2013-08 was denied by Finance. The Resolution was approved by Finance on October 18, 2013; therefore, this item is not an enforceable obligation and not eligible for RPTTF funding on this ROPS.

For funding sources other than RPTTF, Finance made adjustments and/or reclassifications to the Prior Period Adjustments form to ensure consistency with the funding sources and amounts approved by Finance. HSC Section 34177 (a) (3) states that the Agency can only make payments listed on the ROPS, from the funds listed and authorized by Finance. In addition, adjustments were made to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments and/or reclassifications have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Fund Balances form, the following adjustments were made:

- Beginning Available Fund Balance for bonds issued on or before December 31, 2010 should be \$811,843 instead of zero. Based upon information provided from the Agency, this amount has been adjusted by \$811,843.

- The RPTTF revenues reported in Row 2 includes both ROPS III and ROPS 13-14 A distributions. Therefore, the ROPS 13-14A distribution amounts of \$508,706 in Non-Admin RPTTF and \$41,187 in Admin RPTTF were deducted from Row 2 and moved in Row 8 of the Fund Balance form to properly recognize the ROPS 13-14A RPTTF distribution.

Pursuant to HSC Section 34186 (a), successor agencies were required to report the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. The amount of RPTTF approved in the table below 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 table below includes only the prior period adjustment that was self-reported by the Agency.

Except for the items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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 RPTTF distribution for the reporting period is \$622,555 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	574,432
Total RPTTF requested for administrative obligations	208,813
Total RPTTF requested for obligations	\$ 783,245
Total RPTTF requested for non-administrative obligations	574,432
<u>Denied Items</u>	
Item No. 20	(25,300)
Total RPTTF approved for non-administrative obligations	549,132
Total RPTTF requested for administrative obligations	208,813
Total RPTTF approved for obligations	757,945
Total ROPS III PPA	(135,390)
Total RPTTF approved for distribution	\$ 622,555

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

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/>.

Absent a Meet and Confer, this is Finance’s final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only 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 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead 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