DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 15, 2015

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

Dear Ms. Chapman:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Grover Beach Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on March 2, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 1 – Series 2005 Tax Allocation Bonds (TAB) in the amount of $195,256 in Redevelopment Property Tax Trust Fund (RPTTF) funding is not approved. Based upon a review of RPTTF received through the ROPS 14-15B cycle, Agency has received sufficient funding for payments through ROPS 15-16B. The next payment is not due until August 2016. Therefore, the request for $195,256 exceeds the Agency's obligation and is not eligible for RPTTF funding at this time.

- Item No. 4 – General Fund Loan in the amount of $463,063 is partially not approved. The Agency received a Finding of Completion on April 26, 2013. As such, the Agency may place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1).

  Additionally, HSC section 34191.4 (b) (2) (A) specifies this repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in that fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

  According to the County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2014-15 are $277,141 and $528,618, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for 2015-16

is $125,739. Therefore, of the $463,063 requested, $337,324 of excess loan repayment is not eligible for funding on this ROPS. The Agency may be eligible for additional funding beginning with ROPS 16-17A.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting 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. While reviewing all past funding received for the Agency's Series 2005 TAB, it was determined that the Agency holds $5,905 of Reserve Balances in excess of its obligations through ROPS 15-16B.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 4 – General Fund Loan in the amount of $5,905. The Agency requests $463,063 of RPTTF and, as indicated above, the maximum repayment amount for 2015-16 is $125,739. Therefore, the Agency is approved for $125,739; however, Finance is reclassifying $5,905 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has $5,905 in available Reserve Balances. Therefore, Finance is approving RPTTF in the amount of $119,834 and the use of Reserve Balances in the amount of $5,905, totaling $125,739.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the table on the next page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 $102,825 as summarized in the Approved RPTTF Distribution table on the following page:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		658,319
Total RPTTF requested for administrative obligations		20,000
Total RPTTF requested for obligations on ROPS	**$**	**678,319**
Total RPTTF requested for non-administrative obligations		**658,319**
Denied Items		
Item No. 1		(195,256)
Item No. 4		(337,324)
		(532,580)
Reclassified Item		
Item No. 4		(5,905)
Total RPTTF authorized for non-administrative obligations	**$**	**119,834**
Total RPTTF requested for administrative obligations		**20,000**
Total RPTTF authorized for administrative obligations	**$**	**20,000**
Total RPTTF authorized for obligations	**$**	**139,834**
ROPS 14-15A prior period adjustment		(37,009)
Total RPTTF approved for distribution	**$**	**102,825**

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. Although the records provided did agree with the balances reported, the balances reported are not consistent with the revenue received and authorized expenditures. As a result, Finance will continue to work with the Agency after the ROPS 15-16A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

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

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Wendy Griffe, Supervisor or Kelly Wyatt, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Program Budget Manager

cc: Mr. Robert Perrault, City Manager, City of Grover Beach
Ms. Barbara Godwin, Property Tax Manager, San Luis Obispo County
California State Controller's Office