



December 18, 2012

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 Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 8, 2012. 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 III) to the California Department of Finance (Finance) on August 24, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 8, 2012. 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 November 26, 2012.

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 Nos. 9 and 10 – Housing administrative costs, in the amount of \$1.4 million. Finance continues to deny the items. Finance denied the items as HSC section 34176 (a) (1) states that the Housing Successor Entity shall be responsible for the housing functions and obligations previously performed by the redevelopment agency (RDA). Since the Housing Successor Entity is responsible for the related housing operations and administrative costs, these items are not eligible for RPTTF funding. The Agency contends the items are enforceable obligations because the housing administrative and staff costs related to the unwinding of the Low and Moderate Income Housing Fund were included in Appendix C to the City/RDA Cooperative Agreement executed January 17, 2011. However, the agreement is between the City and the RDA; therefore HSC section 34171 (d) (2) applies. 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. Furthermore, obligations associated with the former RDA's previous statutory housing obligations are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations and housing assets... shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of statutory obligations; to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life –

directly contrary to the wind down directive in ABx1-26/AB1484. Therefore, the items are not enforceable obligations.

- Item No. 13 – ADA Improvement Project, in the amount of \$51,993. Finance continues to deny the item. Finance denied the item as the Safe Routes to School project was not identified in the Agreement. HSC section 34177.3 (a) prohibits successor agencies from creating new enforceable obligations, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The RDA entered into a Cooperative Agreement (Agreement) with the City, in which the RDA would reimburse the City for costs incurred for projects identified in the Agreement. City contracts executed for the projects identified in the Agreement are not enforceable obligations unless executed prior to June 28, 2011. The Agency contends the item is an enforceable obligation because the ADA improvement project listed in the Cooperative Agreement between the City and the RDA executed January 17, 2011 included ADA accessibility improvements within the RDA area. However, the agreement is between the City and the RDA; therefore HSC section 34171 (d) (2) applies. 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. Therefore, the item is not an enforceable obligation.

In addition, per Finance's ROPS letter dated October 8, 2012, the following items not disputed by the Agency continue to be denied:

- HSC section 34177.3 (a) prohibits successor agencies from creating new enforceable obligations, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The redevelopment agency (RDA) entered into a Cooperative Agreement (Agreement) with the City, in which the RDA would reimburse the City for costs incurred for projects identified in the Agreement. City contracts executed for the projects identified in the Agreement are not enforceable obligations unless executed prior to June 28, 2011. The following items are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding:
 - Item No. 14 – Joyce Drive Sewer Lift Station Project, in the amount of \$268,228. The City's third party contract was executed after June 27, 2011.
 - Item No. 16 – Neal Street/S Auburn Parking, in the amount of \$537,000. No contract was provided to establish item as an enforceable obligation.

The Agency's maximum approved RPTTF distribution for the reporting period is \$551,356 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 619,116
Less: Six-month total for items denied or reclassified as administrative cost	
Item 9	25,000
Item 10	1,000
Item 13	51,993
Item 14	26,667
Item 16	120,000
Total approved RPTTF for enforceable obligations	\$ 394,456
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	156,900
Total RPTTF approved:	\$ 551,356

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the 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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, 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