



December 18, 2012

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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 19, 2012. 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 III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 19, 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 Wednesday, November 21, 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 items being disputed.

- Items Nos. 2, 3, and 4 – City of Grover Beach (City) loans in the amount of \$1.7 million. Finance continues to deny these items at this time. Finance denied the item as an enforceable obligation as HCS section 34171 (d) (2) states that agreements between the City and the Agency are not enforceable obligations. Upon receiving a Finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods. The Agency acknowledges Finance's position.
- Item No. 5 – Supplemental Educational Revenue Augmentation Fund (SERAF) loan payment in the amount of \$301,147. Finance continues to deny the item at this time. Finance denied the item as an enforceable obligation as SERAF loans are not payable until fiscal year 2013-14 pursuant to HCS section 34191.4 (b) (2). The Agency acknowledges Finance's position.
- Items Nos. 6 and 7 – Housing project in the amount of \$500,000 from the Low and Moderate Income Housing Fund (LMIHF) and the value of the property. Finance continues to deny the items. Finance denied the items as enforceable obligations as HSC section 34163 (b) prohibits a redevelopment agency (RDA) from entering into contracts with any entity after June 27, 2011, and the contract for these items was executed on October 13, 2011. The Agency contends the items are enforceable obligations because the former RDA Board authorized the regulatory agreement with an

effective date of April 4, 2011 and the delay in signing was due to minor changes in the language and clerical corrections. However, the Draft Regulatory Agreement presented and approved by the former RDA Board was not the final copy that was signed and executed by the parties. Certain terms and sections within the agreement were revised and the changes were not presented to the former RDA Board on April 4, 2011 for its consideration. Those revisions include, but are not limited to:

- o LMIHF identified as the funding source in Item B of the Recitals.
- o Sale Price Range was changed in Section 10.
- o Committing the former RDA to spend up to \$50,000 to clean the site if soil sampling reveals presence of hazardous substances was added in Section 25.

Therefore, the effective date of the agreement is not April 4, 2011 and the execution of the agreement on October 13, 2011 was not a ministerial act. HSC section 34163 (b) prohibits a RDA from entering into contracts with any entity after June 27, 2011. Therefore, these items are not enforceable obligations.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$337,944 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 299,033
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 2	4,533
Item No. 3	12,952
Item No. 4	11,264
Item No. 5	75,840
Total approved RPTTF for enforceable obligations	\$ 194,444
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	143,500
Total RPTTF approved:	\$ 337,944

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

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