

August 28, 2008

Mr. Dana Hertfelder  
Public Works Director  
Department of Public Works  
County of Mariposa  
4639 Ben Hur Road  
Mariposa, CA 95338

Re: COUNTY OF MARIPOSA  
ASSESSMENT DISTRICT NO. 01-1  
(Yosemite West Wastewater Facilities Project)

Dear Dana:

You have asked for a letter evaluating the County's proposed course of action with regard to unused amounts remaining in the Improvement Fund established for the assessment district captioned above. Bonds for this assessment district were issued on July 20, 2004, in a total principal amount of \$3,080,000 (which is the combined amount of the Series 2004-A Bonds and the Series 2004-B Bonds). We understand that \$117,793 remains in the Improvement Fund, and that \$300,000 was transferred to the County general fund in October 2006 as reimbursement for prior advances.

Carl Casey outlined the County's proposed course of action in his email to me dated August 6, 2008. I have summarized the proposed course of action below, together with our responses:

(a) Attribute the full amount of a \$242,496 federal EPA grant (which was received by the County in connection with this project) to a County general fund reimbursement for work done during Fiscal Years 1998-99 through 2000-01 (which is detailed in the Engineer's Report in Exhibit B, Table B-3). Although this amount is listed in the Engineer's Report as a non-reimbursable contribution to the project, it is appropriate to attribute these funds to the general fund reimbursement since the source of the reimbursement is the EPA grant, not bond proceeds (so long as this work is consistent with the types of projects on which the EPA grant funds can legally be spent, which appears to be the case). The reimbursement does not raise federal tax issues for the bonds because the source of reimbursement is not bond proceeds.



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(b) Attribute the remaining \$57,504 of the \$300,000 transfer to reimbursement of soft costs incurred between July 1, 2002 and June 30, 2004, consisting primarily of work done by Wilson & Associates, Michael Skenfield (biological consultant) and Public Works staff time spent on the project. Because this is not listed in the Engineer's Report as a non-reimbursable contribution to the project, it is appropriate to attribute these funds to the general fund reimbursement. The reimbursement does not raise federal tax issues for the bonds because the costs being reimbursed are soft costs (which are exempt from the reimbursement resolution requirements), and the amount does not exceed 25% of the original bond proceeds.

(c) Transfer the remaining cash balance in the project fund of \$117,793 to the Yosemite West Utility Capital Fund to be used for maintenance of the wastewater treatment plant. Maintenance of the improvements financed with bond proceeds is an appropriate use of surplus assessment bond proceeds under the 1915 Act, and does not raise federal tax issues because the amount is less than 5% of the principal amount of the bonds.

(d) Treat any funds obtained from the sale of "Reserve Capacity" of the treatment plant as revenue to the County general fund. This appears to be appropriate because we understand that reserve capacity revenues are not pledged to any debt service or otherwise restricted.

In sum, each of the four points outlined above appears to be consistent with our prior discussions, with the assessment law and with federal tax law. Please feel free to contact me if you wish to discuss this letter or with any further questions.

Very truly yours,

/s/ Scott R. Ferguson

cc: Carl Casey, Fiscal Officer