



April 18, 2013

Bonnie Lipscomb, Executive Director  
City of Santa Cruz Successor Agency  
337 Locust Street  
Santa Cruz, CA 95060

Dear Ms. Lipscomb:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Cruz Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on March 4, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, 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 do not qualify as enforceable obligations:

- Items that are funded through separate process includes:
  - Item No. 9 – Del Mar Property Management is partially denied. The Agency provided documentation to support actual roof replacement costs of \$129,851. The Agency requests approval for the use of reserves in the amount of \$100,000 and RPTTF in the amount of \$29,851. The Agency was allowed to retain \$129,851 for roof replacement costs in the Other Funds and Accounts Due Diligence Review (OFA DDR). Therefore, the Agency's request for RPTTF funding in the amount of \$29,851 is denied. However, Finance is approving the use of reserves in the amount of \$129,851.
  - Item No. 47 – Del Mar Property Management is partially denied. The Agency was approved for the use of reserve funds in the amount of \$130,000 on ROPS III. The Agency wishes to retain these reserves through the OFA DDR Meet and Confer. Therefore, the Agency's request for \$150,000 of RPTTF is partially denied in the amount of \$130,000. Consequently, Finance is approving RPTTF in the amount of \$20,000 and the use of reserve funds in the amount of \$130,000.
  - Item No. 66 – Trolley Agreement is partially denied. The Agency was approved for the use of reserve funds in the amount of \$7,065 on ROPS III. The Agency wishes to retain these reserves through the OFA DDR Meet and Confer. Therefore, the Agency's request for \$15,065 of RPTTF is partially denied in the

amount of \$7,065. Consequently, Finance is approving RPTTF in the amount of \$8,000 and the use of reserve funds in the amount of \$7,065.

- Item No. 69 – Lower Pacific Avenue Parking Study is partially denied. The Agency was approved for the use of reserve funds in the amount of \$10,000 on ROPS III. The Agency wishes to retain these reserves through the OFA DDR Meet and Confer. Therefore, the Agency's request for \$37,048 of RPTTF is partially denied in the amount of \$10,000. Consequently, Finance is approving RPTTF in the amount of \$27,048 and the use of reserve funds in the amount of \$10,000.
- Housing entity maintenance and administrative costs totaling \$272,299 are not enforceable obligations of the Agency. Including:
  - Item No. 133 – LMIH Project Management and Delivery in the amount of \$87,999.
  - Item No. 155 – 110 Lindberg Street Affordable Housing in the amount \$185,000.

The City of Santa Cruz elected to retain the authority to perform housing functions previously performed by the former RDA. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties obligations and housing assets shall be transferred to the city, county or city and county. The transfer of "duties and obligations" includes the transfer of any on-going maintenance and administrative costs. Therefore, these items are not enforceable obligations and are not eligible for funding on the ROPS.

- Item No. 170 – Oversight Board Legal Counsel is reclassified. Although enforceable, general legal counsel is considered a general administrative cost. Therefore, the Agency's total administrative costs are increased by \$10,000 resulting in a six-month total of \$135,000. The Agency has not exceeded their allotted 2013-14 fiscal year administrative allowance, pursuant to HSC section 34171 (b).

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$3,959,866 as summarized on next page:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 4,284,081
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 9	29,851
Item 47	130,000
Item 66	7,065
Item 69	10,000
Item 133	87,299
Item 155	185,000
Item 170*	10,000
Total approved RPTTF for enforceable obligations	\$ 3,824,866
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	135,000
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 3,959,866</b>
*Reclassified as administrative cost	

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. 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. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 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 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 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.

Ms. Lipscomb  
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Please direct inquiries to Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a long horizontal stroke extending to the left.

STEVE SZALAY  
Local Government Consultant

cc: Ms. Kim Wigley, Senior Accountant, City of Santa Cruz  
Ms. Mary Jo Walker, Auditor-Controller, County of Santa Cruz  
California State Controller's Office