



April 10, 2014

Ms. Bonnie Lipscomb, Executive Director
City of Santa Cruz
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 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 does not qualify as an enforceable obligation for the reasons specified:

Item No. 187 – Bond Expenditure Agreement from Bond Proceeds is partially denied in the amount of \$82,368. The Agency requests to transfer \$2,889,454 of excess bond proceeds to the City of Santa Cruz, pursuant to a Bond Expenditure Agreement approved via Oversight Board Resolution No. OBSA – 20. Section 4.1 of the Bond Expenditure Agreement states that excess bond proceeds may be used on any project, program or activity pertaining to, among other things, Highways 1 and 9 Intersection Improvements.

Currently, the Agency has a total outstanding obligation for Item No. 11 on ROPS 14-15A – Highway 1 and 9 Improvements Phase 1 in the amount of \$82,368. Per HSC section 34191.4 (c) (2) (A), bond proceeds in excess of amounts needed to satisfy enforceable obligations may be used in a manner consistent with the original bond covenants. Due to the outstanding obligation for Item No. 11 on ROPS 14-15A, \$82,368 of Bond Proceeds cannot be considered excess. Therefore, Item No. 187 is partially denied for Bond Proceeds funding in the amount of \$82,368.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF) funding. 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. Finance determined the following:

As detailed in the partial denial of Item No. 187 above, Bond Proceeds in the amount of \$82,368 cannot be considered excess, as they can be used to retire an enforceable obligation. Therefore, the funding source for the following item has been reclassified to Bond Proceeds:

Item No. 11 – Highways 1 and 9 Intersection Improvements in the amount of \$82,368. The Agency requests \$82,368 from Reserve Balances. However, Finance is reclassifying \$82,368 to Bond Proceeds. This item was determined to be an enforceable obligation for the ROPS 14-15A period. Therefore, Finance is approving Bond Proceeds funding in the amount of \$82,368.

As a result of the reclassification of Item No. 11, Reserve Balances in the amount of \$82,368 are available for expenditure. Therefore, the following item has been reclassified to Reserve Balances in the amount specified below:

Item No. 3 – 2011 Non-Housing Tax Allocation Bonds (TAB), Series B in the amount of \$82,368. The Agency requests RPTTF in the amount of \$1,514,664. However, all other funding sources must be used prior to RPTTF. Therefore, Finance is reclassifying \$82,368 to Reserve Balances.

In addition, the Agency's financial records and Cash Balance worksheet displayed net available Other Funds in the amount of \$917,882.

Therefore, the funding sources for the following items have been reclassified to Other Funds in the amounts specified below:

- Item No. 3 – 2011 Non-Housing TAB, Series B in the amount of \$259,985. The Agency requests RPTTF funding in the amount of \$1,514,664; however, \$82,368 was reclassified to Reserve Balances and Finance is reclassifying \$259,985 from RPTTF to Other Funds. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, the Agency has \$917,882 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$1,172,311, Reserve Balances in the amount of \$82,368, and Other Funds in the amount of \$259,985, totaling \$1,514,664.
- Item No. 4 – 2011 Non-Housing TAB, Series C in the amount of \$525,436. The Agency requests RPTTF funding in the amount of \$525,436. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, Finance is reclassifying the funding source from RPTTF to Other Funds in the amount \$525,436. The Agency has \$657,897 (\$917,882 - \$259,985) in available Other Funds; therefore, Finance is approving the use of Other Funds in the amount of \$525,436.
- Item No. 5 – Bond Expenses in the amount of \$2,247. The Agency requests RPTTF funding in the amount of \$2,247. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, Finance is reclassifying the funding source from RPTTF to Other Funds in the amount \$2,247. The Agency has \$132,461 (\$917,882 - \$259,985 - \$525,436) in available Other Funds; therefore, Finance is approving the use of Other Funds in the amount of \$2,247.

- Item No. 7 – 1280 Shaffer Owner Participation Agreement (OPA) in the amount of \$65,084. The Agency requests funding from Reserve Balances in the amount of \$63,874 and RPTTF funding in the amount of \$65,084. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, Finance is reclassifying the funding source from RPTTF to Other Funds in the amount \$65,084. The Agency has \$130,214 (\$917,882 - \$259,985 - \$525,436 - \$2,247) in available Other Funds; therefore, Finance is approving the use of Other Funds in the amount of \$65,084.
- Item No. 8 – Chestnut OPA in the amount of \$58,130. The Agency requests RPTTF funding in the amount of \$58,130. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, Finance is reclassifying the funding source from RPTTF to Other Funds in the amount \$58,130. The Agency has \$65,130 (\$917,882 - \$259,985 - \$525,436 - \$2,247 - \$65,084) in available Other Funds; therefore, Finance is approving the use of Other Funds in the amount of \$58,130.
- Item No. 45 – Del Mar Property Management in the amount of \$7,000. The Agency requests funding from Reserve Balances in the amount of \$80,000 and RPTTF funding in the amount of \$7,000. This item was determined to be an enforceable obligation for the ROPS 14-15A period. However, Finance is reclassifying the funding source from RPTTF to Other Funds in the amount of \$7,000. The Agency has \$7,000 (\$917,882 - \$259,985 - \$525,436 - \$2,247 - \$65,084 - \$58,130) in available Other Funds; therefore, Finance is approving the use of Other Funds in the amount of \$7,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. The amount of RPTTF approved in the table below includes the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Any proposed CAC adjustments were not received in time for inclusion in this letter. Therefore, the amount of RPTTF approved in the table below only includes the prior period adjustment self-reported by the Agency.

Except for item denied in whole or in part as an enforceable obligation or for the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 \$2,181,454 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	3,117,381
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,242,381
Total RPTTF requested for non-administrative obligations	3,117,381
<u>Cash Balances - Items reclassified to Other Funds</u>	
Item No. 3	(259,985)
Item No. 4	(525,436)
Item No. 5	(2,247)
Item No. 7	(65,084)
Item No. 8	(58,130)
Item No. 45	(7,000)
	<u>(917,882)</u>
<u>Item reclassified to Reserve Balances</u>	
Item No. 3	(82,368)
Total RPTTF authorized for non-administrative obligations	\$ 2,117,131
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 2,242,131
ROPS 13-14A prior period adjustment	(60,677)
Total RPTTF approved for distribution	\$ 2,181,454

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

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

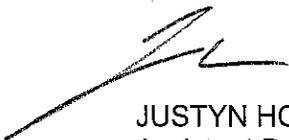
Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this 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 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 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 Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

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