



November 4, 2014

Mr. Stephen Ando, Executive Director
City of Scotts Valley
1 Civic Center Drive
Scotts Valley, CA 95066

Dear Mr. Ando:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Scotts Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 22, 2014 for the period of January 1 through June 30 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

Item Nos. 15 and 16 – Rental Assistance Agreements totaling \$41,340 (\$19,618 and \$21,722, respectively) is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding during ROPS 14-15B. It is our understanding that the Agency has already received the full payment for the annual rental assistance. Although these items are enforceable obligations, additional funding is not required at this time.

The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. 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. The Agency provided financial records that displayed \$42,788 of unrestricted cash available for ROPS 14-15B expenditures.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 7 – Reimbursement Agreement in the amount of \$42,788. The Agency requests \$150,014 of RPTTF; however, Finance is reclassifying \$42,788 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$42,788 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$107,226 and the use of Other Funds in the amount of \$42,788, totaling \$150,014.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. 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. Proposed CAC adjustments were not received in time for inclusion in this letter.

During the review of the Agency's ROPS 13-14B prior period adjustment, it was brought to Finance's attention that the actual expenditures as reported on the Agency's general ledger for Item No. 4 – 2003 Certificate of Participation was overstated by \$488 and Item No. 20 – Services Agreement-Administrative Costs was understated by \$40,381, totaling \$39,893 (\$40,381 - \$488). Therefore, Finance has made an adjustment in the amount of \$39,893 to the Agency's self-reported ROPS 13-14B prior period adjustment from \$43,100 to \$3,207.

Except for the items denied in whole and for the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 \$627,660 summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	614,995
Total RPTTF requested for administrative obligations	100,000
Total RPTTF requested for obligations on ROPS	\$ 714,995
Total RPTTF requested for non-administrative obligations	614,995
<u>Denied Items</u>	
Item No. 15	(19,618)
Item No. 16	(21,722)
	(41,340)
Total RPTTF for non-administrative obligations	573,655
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 7	(42,788)
Total RPTTF authorized for non-administrative obligations	\$ 530,867
Total RPTTF requested for administrative obligations	100,000
Total RPTTF authorized for administrative obligations	\$ 100,000
Total RPTTF authorized for obligations	\$ 630,867
Self-reported ROPS 13-14B prior period adjustment (PPA)	(43,100)
Finance adjustment to ROPS 13-14B PPA	39,893
Total ROPS 13-14B PPA	(3,207)
Total RPTTF approved for distribution	\$ 627,660

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting Program Budget Manager

cc: Mr. Corrie Kates, Community Development Director/Deputy City Manager,
City of Scotts Valley
Ms. Mary Jo Walker, Auditor-Controller, County of Santa Cruz
California State Controller's Office