

April 9, 2015

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 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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 No. 45 – Del Mar Property Management from Reserve Balances in the amount of \$104,616 is no longer an enforceable obligation and not eligible for funding on the ROPS. This item pertains to property management and maintenance costs associated with real property known as the Del Mar Theatre. The Del Mar Theatre is listed on the Agency's revised Long-Range Property Management Plan (LRPMP) with the property disposition specified as transfer to the City of Santa Cruz (City) for future redevelopment pursuant to HSC 34180 (f) and HSC 34191.5 (c) (2) (A). The Agency's revised LRPMP was approved by Finance on January 22, 2015 and as such, the Del Mar Theatre should have been transferred to the City. Therefore, property management and maintenance activities related to the Del Mar Theatre are no longer obligations of the Agency and not eligible for funding on ROPS.
- On the ROPS 14-15A Prior Period Adjustment (PPA) worksheet, the Agency's expenditures exceeded Finance's authorization for the following item:
 - Item No. 5 – Bond Expenses from Reserve Balances in the amount of \$2,000.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. However, Item No. 5 was determined to be enforceable obligation for the ROPS 14-15A period. Therefore, Finance is increasing the Agency's authorization for the ROPS 15-16A period to ensure that authorization is consistent with expenditures for the approved enforceable obligations. As these Reserve Balances were previously expended, the increase in

authorization is for informational purposes only and does not affect your ROPS 15-16A expenditure ability.

HSC sections 34177 (a) (4) and 34173 (h) provide mechanisms when Agency payments must exceed the amounts authorized by Finance. Please ensure the proper expenditure authority is received from your Oversight Board and Finance prior to making payments on enforceable obligations.

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. The Agency provided accounting records displaying available Other Funds in the amount of \$49,815.

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

Item No. 6 – 1010 Pacific Owner Participation Agreement in the amount of \$49,815. The Agency requests RPTTF in the amount of \$83,539 and it was determined to be an enforceable obligation for the ROPS 15-16A period. However, the Agency has available Other Funds and the obligation does not require payment from RPTTF. Therefore, Item No. 6 is partially reclassified from RPTTF to Other Funds in the amount of \$49,815.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (PPAs) associated with the July through December 2014 period. HSC section 34186 (a) also specifies PPAs 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 table on the next page includes the PPA resulting from the CAC's review of the Agency's self-reported PPA.

Except for the item denied in whole and the item that has been partially reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 RPTTF distribution for the reporting period is \$3,203,380 as summarized in the Approved RPTTF Distribution table on the next page:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	3,128,195
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 3,253,195
Total RPTTF requested for non-administrative obligations	3,128,195
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 6	(49,815)
Total RPTTF authorized for non-administrative obligations	\$ 3,078,380
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,203,380
ROPS 14-15A PPA	0
Total RPTTF approved for distribution	\$ 3,203,380

Please refer to the ROPS 15-16A 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, 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 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.

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Please direct inquiries to Wendy Griffe, Supervisor or Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
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