DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 10, 2015

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 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 Nos. 23 and 24 – Court Judgment payments in the amounts of $6,416,612 and $477,000, respectively are denied. Finance denies these items which seek funding for an unauthorized settlement agreement. The Agency submitted the settlement agreement to their Oversight Board (OB) seeking approval on February 18, 2015. The OB adopted Resolution No. OB-22 approving the settlement agreement while noting that OB approval is required because of the Agency's participation. On February 19, 2015 the City of Scotts Valley (City), the Agency, the County of Santa Cruz (County), and County of Santa Cruz Successor Agency (County SA) signed the settlement agreement. On February 20, 2015 the City, Agency, County, and County SA filed the settlement agreement with the San Mateo Superior Court as part of a stipulated judgment. On February 23, 2015, the Agency submitted the OB action to Finance seeking to approve OB Resolution No. OB-22. On April 6, 2015, Finance denied the OB action and returned it to the OB for reconsideration.

  Pursuant to HSC 34179, subdivision (h), Finance may review any oversight board action and that action is not effective until approved by Finance. Although the Agency's OB action approved the settlement agreement on February 19, 2015 with Resolution No. OB-22, that approval was not effective until Finance's approval, which the Agency and the OB did not receive. As a result, the Agency was not authorized to enter into the settlement agreement or take any action pursuant to OB Resolution No. OB-22 or the settlement agreement.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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; therefore, the amount of Redevelopment Property Tax Trust Fund (RPTTF) approved in the table below only reflects the prior period adjustment self-reported by the Agency, and further adjusted by Finance. An adjustment was necessary to accurately account for the RPTTF that was distributed to the Agency for the ROPS 14-15A period.

The Agency's maximum approved RPTTF distribution for the reporting period is $695,323 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution For the period of July through December 2015		
Total RPTTF requested for non-administrative obligations		898,118
Total RPTTF requested for administrative obligations		115,000
Total RPTTF requested for obligations on ROPS	**$**	**1,013,118**
Total RPTTF requested for non-administrative obligations		**898,118**
Denied Items		
Item No. 23		(185,000)
Item No. 24		(95,000)
		(280,000)
Total RPTTF authorized for non-administrative obligations	**$**	**618,118**
Total RPTTF requested for administrative obligations		**115,000**
Total RPTTF authorized for administrative obligations	**$**	**115,000**
Total RPTTF authorized for obligations	**$**	**733,118**
ROPS 14-15A prior period adjustment		(37,795)
Total RPTTF approved for distribution	**$**	**695,323**

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.

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

Sincerely,

JUSTYN HOWARD
Program Budget Manager

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