



May 24, 2012

Sandi Gottlieb, Program Manager
City of Santa Ana
20 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Gottlieb:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Santa Ana Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 18, 2012 for period of the January to June 2012 and May 9, 2012 for the period of July to December 2012 period. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through June 2012 ROPS

Except for items disallowed in whole or in part as enforceable obligations (EO) noted in Finance's letter dated May 3, 2012, Finance is approving the remaining items listed in your ROPS.

July through December 2012 ROPS

Except for items disallowed in whole or in part as EOs noted below, Finance is approving the remaining items listed in your ROPS.

HSC section 34171 (d) lists enforceable obligations characteristics. Based on a sample of items reviewed and application of the law, the following do not qualify as EOs:

- Page 1, items 1, 2, and 3 – 2012 bond payments totaling \$5.5 million for August 2012. It is our understanding that this portion of the bond payments was already included on the January through June ROPS, and is to be paid from tax increment previously received. This amount is not considered an EO on the July through December 2012 ROPS.
- Page 2, item 23 – Santa Ana Ventures estimate of permit fees in the amount of \$1.6 million. HSC section 34163 (b) prohibits a redevelopment agency from incurring any obligations or making commitments after June 27, 2011. It is our understanding that commitments have not been made for the \$1.6 million and that this is an estimated amount for possible future projects.
- Pages 3 and 4, items 24, 27, 28, and 32 – Note payables for various housing projects totaling \$17.2 million. These are for items already funded by the Agency. These items do not represent continuing obligations and are not considered an EO.

- Page 1, item 9 and page 7, item 85 – Legal settlements totaling \$416.5 million requiring Low/Mod set-aside from tax increment within the project areas. Settlements awarding a percentage of tax increment are not considered EOs. Pursuant to ABx1 26, tax increment is no longer payable to redevelopment agencies and is therefore not an EO.
- Page 7, line items 86, 98 and 99 – Unexpended bond funds totaling \$7.4 million. HSC section 34177(i) states "bond proceeds shall be used for the purposes for which bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." ABx1 26 does not allow successor agencies to enter into new contracts, unless those contracts are specifically required pursuant to the terms of another pre-existing contract that meets the requirements of ABx1 26, or are specifically required by bond indentures. The above requirements have not been established. Therefore, the unexpended funds may not be used to enter into new obligations.
- Page 7, line items 88 and 89 – Cash balances from settlement agreements totaling \$23.9 million. ABx 1 26 does not allow successor agencies to enter into new contracts; any unencumbered balances should be remitted to the County Auditor Controller. HSC section 34176 states "If a city elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, duties, and obligations, excluding any amounts on deposit in the Low and Moderate Income Housing Fund, shall be transferred to the city."
- Administrative cost claimed exceeds allowance by \$594,022. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. The Agency's three-percent property tax allocation for July through December 2012 is \$216,686. Therefore, the administrative cost allowance is \$250,000. See attached schedule for calculation of administrative costs.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

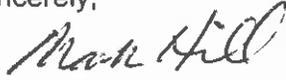
Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Ms. Gottlieb
May 3, 2012
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Please direct inquiries to Evelyn Suess, Supervisor or Doug Evans, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

Attachment

cc: Ms. Nancy Edwards, Interim Executive Director, Community Development Agency, City of Santa Ana
Mr. Francisco Gutierrez, Executive Director, Finance and Management Services Agency, City of Santa Ana
Ms. Susan Gorospe, Senior Management Analyst, City of Santa Ana
Mr. Frank Davies, Administrative Manager, County of Orange

**Administrative Cost Calculation
For the Period July - December 2012**

Line Item	PROJECT NAME / DEBT OBLIGATION	RPTTF Claimed	Admin Cost
1	2011 Tax Allocation Bonds Series A		
	2011 TAB-Indenture of Trust	\$2,104,925	
			\$2,500
2	2003 Tax Allocation Bonds Series A		
	2003 TAB Series A-Indenture of Trust	350,905	
			1,500
3	2003 Tax Allocation Bonds Series B		
	2003 TAB Series B-Indenture of Trust	427,000	
			1,500
	For items 1-3, the RPTTF amount excludes the reserve amount.		
4	Loan Payable to Santa Ana Venture		
		2,500,000	
5	OPA - Imperial Hotel Group		
	Audit	450,000	
			2,000
6	DDA - Sycamore Parking Concepts		
	Project Mgmt/Legal Services	90,000	
			2,945
8	Lease Agreement in re: 2003 Ref COPs Se		
		128,953	
10	Erickson Lease Agreement - Honda		
	Project Mgmt/Legal/Financial/Title/Escrow/Fees	104,062	
			10,280
11	Latino Health Access Project		
	Project Mgmt/Legal/Title/Escrow/Fees		
			3,570
12	Agmt for Financial Consulting		
			2,500
16	Agmt for Nexus Permit Fees		
	Project Mgmt/Legal/Financial		
			21,250
17	Agmt for Off Site Improvements		
	Project Mgmt/Legal		
			23,000
18	BARCO Parking Agreement		
	Prj Mgt/Maint/Utilities/Legal/Apprsl/Title/Eschr/Fees		
			17,431
19	Discovery Science Center DDA		
	Prj Mgt/Const. Compliance/Legal/Fees		
			13,395
20	Auto Mall Dealers Parking Lot Agmt		
	Project Mgmt/Legal/Financial/Appraisal		
			22,520
21	Penske DDA		
	Project Mgmt/Legal/Design Review		
			12,590

Line Item	PROJECT NAME / DEBT OBLIGATION	RPTTF Claimed	Admin Cost
22	Auto Mall CC&R's Obligation		
	Project Mgmt/Legal/Design Review		3,150
81	Housing Loan for ERAF FY 05-06	817,023	
83	SM Commercial Corridor Cap Prj Loan for SERAF FY 09-10	250,000	
87	Agency Prop Maint & Disposition		
	Project Mgmt/Legal/Financial/Other		179,500
91	Audited Financial Statements		57,000
94	Oversight Board Support		63,335
	Materials and supplies		4,803
96	Successor Agency Admin.		397,003
101	Agmt for Financial/Project Management		2,250

Totals	<u>\$7,222,868</u>	<u>\$844,022</u>
Less Admin Allowance (Greater of 3% or \$250,000)		<u>250,000</u>
Total Disallowed Admin Cost		<u><u>\$594,022</u></u>