



October 19, 2012

Ms. Nancy T. Edwards, Interim Executive Director
Community Development Agency
City of Santa Ana
60 Civic Center Plaza, M-25
Santa Ana, CA 92701

Dear Ms. Edwards:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Ana Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on September 4, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, 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 do not qualify as enforceable obligations:

- Item No. 13 – Payments for 2003 Certificates of Participations (COPs) in the amount of \$6.1 million. The COPs were issued by the City of Santa Ana and do not include a payment obligation of the former redevelopment agency (RDA). Therefore, this item is not an enforceable obligation and not eligible for RPTTF funding.
- Item Nos. 14 through 18 – Settlement Agreements and Litigation Expenses totaling \$524.8 million. Item Nos. 14 through 18 are funded by RPTTF and Item No. 18 is funded by reserve balances. The requirement to set aside 20 percent of RDA tax increment for low and moderate income housing purposes ended with the passing of the redevelopment dissolution legislation. Because there no longer are such taxes allocated to the Agency, there is no payment obligation.
- Item No. 22 – Payment to the South Main Commercial Corridor (SMCC) project area fund of the former RDA in the amount of \$6 million. The RDA used a portion of SMCC project area funds to pay the Supplemental Education Revenue Augmentation Fund (SERAF) obligation in fiscal year 2009-10. HSC 33690 (c) allows funds to be borrowed from and subsequently repaid to the Low and Moderate Income Housing Fund. The law does not require SERAF payments from other sources to be repaid with tax increment distributions. Therefore, this item is not an enforceable obligation.
- Items No. 23 through 25 – Settlement agreements with various school districts for pass-through payments to fund capital projects in the amount of \$43.8 million. Beginning

July 1, 2012, the county auditor-controller is responsible for distributing property tax increment funds to the taxing entities. Therefore, these items should not appear on the Agency's ROPS as enforceable obligations and are not eligible for RPTTF funding.

- Item Nos. 35 and 36 – Santa Ana Ventures estimate of permit fees and related project costs in the amount of \$1.7 million of RPTTF funding. The obligation to pay permit fees is an estimate for permit fees that may accompany projects for which construction has not begun. No additional documentation has been submitted to support the permit fee obligation, therefore the obligation and related project costs remain denied.
- Item Nos. 68 through 88 – Housing obligations in the amount of \$6.2 million. These obligations have been transferred to the Housing Authority of the City of Santa Ana (Authority) along with funds from the Low and Moderate Income Housing Fund. HSC section 34176 (a) (1) states that if a city elects to retain the housing functions, all rights, duties, and obligations shall be transferred to the city. These items are the responsibility of the Authority, not the Agency and do not qualify for RPTTF funding.
- Item Nos. 89 through 118 – ROPS I and II Denied Obligations totaling \$498.9 million. Item Nos. 89 through 117 are funded by RPTTF and Item No. 118 is funded by reserve balances. These items are duplicates of the RPTTF requested on the prior ROPS. HSC section 34177 (l) (3) states that the ROPS shall be forward looking to the next six months.
- Administrative costs in the amount of \$626,956 out of the claimed \$924,370 for the January to June 2013 period are in excess of the administrative cost allowance. Item Nos. 48 and 59 were considered administrative costs. HSC section 34171 (b) limits administrative costs for fiscal year 2012-13 to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. See table on the next page for administrative costs approved.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, 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: \$5,551,683 as summarized below.

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 28,812,330
Less: Six-month total for items denied or reclassified as administrative cost (See Attachment A for the list of denied or reclassified items)	23,558,061
Total approved RPTTF for enforceable obligations	<u>5,254,269</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>\$ 297,414</u>
Total RPTTF approved:	\$ 5,551,683

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 7,172,871
Total RPTTF for the period January through June 2013	5,254,269
Total RPTTF for fiscal year 2012-13:	\$ 12,427,140
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	372,814
Administrative allowance for the period of July through December 2012	75,400
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 297,414

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the 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.

Ms. Nancy Edwards
October 19, 2012
Page 4

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

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Sandi Gottlieb, Program Manager, 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, Property Tax Manager, Orange County Auditor-Controller

Attachment A
Approved RPTTF Distribution Amount
For the period of January through June 2013

Total RPTTF funding requested for obligations	\$ 28,812,330
Less: Six-month total for items denied or reclassified as administrative cost	
Item 13	1,533,956
Item 14	8,721,091
Item 15	1,500,000
Item 16*	0
Item 17*	0
Item 22	250,000
Item 23	1,101,381
Item 24	664,595
Item 25	42,557
Item 35*	0
Item 36	18,000
Item 48**	50,000
Item 59**	10,000
Item 69	40,000
Item 70	530,656
Item 71	88,250
Item 72	1,500,000
Item 73	123,600
Item 74*	0
Item 75	10,500
Item 76*	0
Item 77	10,700
Item 78*	0
Item 79	5,800
Item 80*	0
Item 81	5,800
Item 82*	0
Item 83	1,800
Item 84*	0
Item 85	5,800
Item 87	23,704
Item 88	35,000
Item 89	2,500
Item 90	1,500
Item 91	1,500
Item 92	5,251,573
Item 93	1,000,000
Item 94	2,000
Item 95	2,945
Item 96	10,280

Item 97	2,000	
Item 98	3,000	
Item 99	5,000	
Item 100	5,500	
Item 102	3,150	
Item 103	53,361	
Item 104	55,000	
Item 105	682,272	
Item 106	81,550	
Item 107	9,400	
Item 108	16,640	
Item 109	10,700	
Item 110	7,500	
Item 111	7,500	
Item 112	7,500	
Item 113	7,500	
Item 114	5,000	
Item 115	25,000	
Item 116	25,000	
Item 117*	0	
Six-month total denied:		23,558,061
Total approved RPTTF for enforceable obligations		5,254,269
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		297,414
Total RPTTF approved:		\$ 5,551,683

*No RPTTF requested for the reporting period

** Reclassified as Administrative Costs