



December 18, 2012

Ms. Kim Namba, Administrative Services Manager
County of Santa Cruz
710 Ocean Street, Room 520
Santa Cruz, CA 95060

Dear Ms. Namba:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 14, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the County of Santa Cruz Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 14, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 27, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

Items 33 and 43 – Contracts between the County of Santa Cruz and a third party in the amount of \$393,599. Finance continues to deny these items. Finance denied the items as the former RDA is neither a party to the contracts nor responsible for making payments as these items are not enforceable obligations. The Agency contends the items are enforceable obligations because they were previously approved on the prior ROPS. However, per HSC section 34177 (l) (3), Finance is required to review the ROPS for each six-month period to make a determination of its enforceable obligations. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was not questioned on a previous ROPS. Finance continues to deny the items as the former RDA is not a party to the contracts. Obligations deemed not to be enforceable shall be removed from your ROPS. The Agency may expend the amounts previously approved and received from the prior ROPS distribution for those items. However, the items should not be listed on future ROPS and no further RPTTF should be disbursed for the items.

The Agency's maximum approved RPTTF distribution for the reporting period is: \$12,239,109 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 12,049,631
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 33	147,000
Total approved RPTTF for enforceable obligations	\$ 11,902,631
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	336,478
Total RPTTF approved:	\$ 12,239,109

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.

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.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. As noted above, obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. 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 questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Carol Kelly, Assistant Chief Administrative Officer, Santa Cruz County
Ms. Mary Jo Walker, Auditor-controller, Santa Cruz County
California State Controller's Office