



October 18, 2012

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 III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance issued a letter on October 13, 2012 detailing our determination of the enforceability of items listed in the Agency's ROPS III.

It has come to our attention the Finance letter dated October 13, 2012 contained a couple of clerical errors. For clarity, we are issuing a revised letter.

HSC section 34171 (d) defines enforceable obligations. Based on our review and application of the law, the Finance has determined the following do not qualify as enforceable obligations:

- Item No. 133 and 135-155 – Affordable housing management, planning, and delivery expenses of the Housing Successor Agency in the amount of \$272,299. HSC section 34176 (a) (2) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City assumed the housing functions, the operating and administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding from the Low and Moderate Income Housing Fund.
- Administrative costs funded by RPTTF exceed the allowance by \$10,000. Claimed administrative costs exceed the allowance by \$207,526. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$250,000 in administrative expenses. The county auditor-controller distributed \$125,000 in administrative costs for the July through December 2012 period, thus leaving a balance of \$125,000 available. Although \$125,000 is claimed for administrative cost, Item No. 170 totaling \$10,000 is considered a general administrative expense and should be counted toward the cap. Therefore, \$10,000 of excess administrative cost claimed is not allowed.

Except for item denied in whole or in part as enforceable obligation 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 Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,535,574 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 1,420,574
Less: Six-month total for item denied or reclassified as administrative cost Item No. 170*	10,000
Total approved RPTTF for enforceable obligations	<u>\$ 1,410,574</u>
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	<u>125,000</u>
Total RPTTF approved:	\$ 1,535,574

*Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 3,144,382
Total RPTTF for the period January through June 2013	1,410,574
Total RPTTF for fiscal year 2012-13:	\$ 4,554,956
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	250,000
Administrative allowance for the period of July through December 2012	125,000
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 125,000

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.

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Please direct inquiries to Robert Scott, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kathryn Mintz, Redevelopment Finance Manager, City of Santa Cruz
Ms. Mary Jo Walker, Auditor-Controller, County of Santa Cruz