



April 17, 2012

Tori Hannah, Finance Director
City of Capitola
420 Capitola Avenue
Capitola, CA 95010

Dear Ms. Hannah:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Capitola (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for the period January through June 2012. Finance staff recently contacted you for further clarification of items listed in the ROPS.

HSC section 34171 (d) lists enforceable obligations characteristics. Based on our application of the law, we do not believe the following items qualify as Enforceable Obligations (EO):

- Line items 2, 3, and 3a – Loan and cooperative agreements with the City totaling \$3.4 million. HSC section 34171 (d) (2) states that loans between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA.
- Line item 8 – Cooperative agreement with the City and County of Santa Cruz totaling \$1 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city or county that created the redevelopment agency (RDA) and the former RDA are not enforceable unless agreements were entered into within the first two years of the date of the creation of the RDA.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for reconsideration. This action will cause the ROPS to be ineffective until Finance approval and may cause payment delays for valid obligations.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO.

Please direct any inquiries to Evelyn Suess, Supervisor or Douglas Evans, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Ms. Mary Jo Walker, Auditor Controller, County of Santa Cruz
Ms. Marianne Ellis, Property Tax Manager, County of Santa Cruz