DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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May 3, 2012

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

Dear Ms. Gottlieb:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Santa Ana (City) Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 18, 2012 for the period January through June 2012. Finance staff contacted you for clarification of items listed in the ROPS.

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

- Page 2, item 23, Santa Ana Venture contract totaling $1.6 million. It is our understanding that commitments have not been made and that this is an estimated amount for possible future projects. HSC section 34163 (b) prohibits a redevelopment agency from incurring any obligations or making commitments after June 27, 2011.

- Pages 3, items 24, 27 and 28; Page 4, items 29 through 32 – Note payables for various housing projects (including all associated administrative costs) totaling $21.5 million. These are items previously funded by the Agency and do not represent continuing obligations. Therefore these line items are not considered EOs.

- Page 5, item 41 – Engineering services totaling $4,000. The Agency claimed $10,000 on the ROPS; however, the contract states the amount should not exceed $6,000. Therefore, $4,000 of the $10,000 claimed is not an EO.

- Page 7, line items 86, 98, and 99 – Various projects totaling $8.7 million using unexpended bond funds. 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." It is not the intent of ABx1 26 to 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. Because the above requirements have not been established, the unexpended funds may not be used to enter into new obligations.

- Page 1, item 9; page 7, item 85 – Legal settlements totaling $500 million requiring Low/Mod set-aside from tax increment within the project areas. Settlements awarding a

percentage of tax increment are not considered EO's. Pursuant to ABx1 26, tax increment is no longer payable to the redevelopment agencies and therefore there is not an obligation.

- Page 7, items 88 and 89, cash balances from settlements totaling $26.8 million. ABx1 26 does not allow successor agencies to enter into new contracts; any unencumbered balances should be remitted to the County Auditor Controller.

- Administrative costs claimed exceed allowance by $2,422,796. HSC section 34171 (b) limits administrative costs for fiscal year 2011-12 to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. The Agency's five-percent property tax allocation for 2011-12 is $846,644. Therefore, $2,422,796 of the claimed $3,269,440 in administrative costs is not an EO. See the attached schedule for calculation of administrative costs.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

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 and send to the following email address:

Redevelopment_Administration@dof.ca.gov

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

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

Sincerely,

Mark Hill

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 January – June 2012

Line Item	Project Name / Debt Obligation	RPTTF Claimed	Admin Cost
1	2011 Tax Allocation Bonds Series A	4,209,222	
	2011 TAB-Indenture of Trust		7,436
	2011 TAB-Indenture of Trust		2,500
2	2003 Tax Allocation Bonds Series A	1,280,710	
	2003 TAB Series A-Indenture of Trust		2,000
	2003 TAB Series A-Indenture of Trust		2,300
3	2003 Tax Allocation Bonds Series B	2,943,500	
	2003 TAB Series B-Indenture of Trust		2,000
	2003 TAB Series B-Indenture of Trust		2,300
4	Loan Payable to Santa Ana Venture	2,500,000	
	Consultants		8,500
5	OPA - Imperial Hotel Group	450,000	
	Audit		5,278
6	DDA - Sycamore Parking Concepts	180,000	
	Project Mgmt/Legal Services		2,871
7	Agreement with SA Unified School Dist.	0	
8	Lease Agreement in re: 2003 Ref COPs Ser	1,503,288	
10	Erickson Lease Agreement - Honda	208,124	
	Project Mgmt/Legal/Financial/Title/Escrow/Fees		18,618
11	Latino Health Access Project	0	
	Project Mgmt/Legal/Title/Escrow/Fees		439
12	Agmt for Financial Consulting		10,028
13	Agmt for Agency Consulting Svcs		10,417
16	Agmt for Nexus Permit Fees	956,174	
	Project Mgmt/Legal/Financial		5,417
18	BARCO Parking Agreement	0	
	Prj Mgt/Maint/Utilities/Legal/Apprsl/Title/Escr/Fees		2,931
19	Discovery Science Center DDA	0	
	Prj Mgt/Const. Compliance/Legal/Fees		3,348
80	Housing Loan for ERAF FY 04-05	47,980	
81	Housing Loan for ERAF FY 05-06	666,179	
82	Housing Loan for ERAF FY 09-10	919,886	
83	SM Commercial Corridor Cap Prj Loan for SERAF FY 09-10	302,827	
	Project Mgmt/Legal/Financial/Other		24,324
87	Agency Prop Maint & Disposition	0	
	Project Mgmt/Legal/Finance /Other		58,063
90	Façade Imp. Rebate	765,000	
	Project Mgmt		22,675
91	Audited Financial Statements		62,712
92	Medical Retiree Subsidy		19,329
93	Accrued leave balances		680,160
94	Oversight Board Support		54,500
	Materials and supplies		3,000
95	Garage Asset Release		40,000
96	Successor Agency Admin.		1,820,794
97	Employee Union MOU Provisions		397,500
	Total	$ 16,932,890	$ 3,269,440
	Less Admin Allowance (Greater of 5% of $250,000)		846,644
	Total Disallowed Admin Cost		$ 2,422,796