



April 12, 2012

Steve Ando, Executive Director
City of Scotts Valley
1 Civic Center Drive
Scotts Valley, CA 95066

Dear Mr. Ando:

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

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

- Item 6 and 14 on page 2 are loan agreements with the City totaling \$3.8 million. HSC section 34171 (d) (2) states that loans between the entity that created the redevelopment agency (RDA) – the City – and the former RDA are only enforceable if made within the first two years of the RDA's existence. The former RDA was created in 1981. The loans were executed in 1991 and 2009, respectively. Therefore, the loans are not EOs.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS item noted above to be ineffective until Finance approval. Further, items listed in future ROPS are 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.

Please direct any inquiries to Robert Scott, Supervisor or Jenny DeAngelis, 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