



December 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

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 18, 2012. 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 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 18, 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 2, 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.

As it relates to additional costs that the Agency discovered and believes are legitimate enforceable obligation those costs may be submitted on a subsequent ROPS forms for consideration. Finance is not amending ROPS III forms.

- Item Nos. 133 and 155 – Affordable housing management, planning, and delivery expenses of the Housing Successor Agency in the amount of \$272,299. Finance continues to deny the items. Maintenance and/or administrative costs associated with the former Redevelopment Agency's (RDA) previous housing functions are not enforceable obligations. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that, "all rights, powers, duties, obligations and housing assets, ...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of any on-going maintenance and administrative costs. To conclude that such costs should be on-going enforceable obligations of the successor agency would require a transfer of tax increment for life – directly contrary to the wind down directive in ABx1-26/AB1484.
- 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 continues to be considered a general administrative expense and should be counted toward the cap. Therefore, \$10,000 of excess administrative cost claimed is not allowed.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,535,574 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2013</b>	
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	\$ 1,410,574
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	125,000
<b>Total RPTTF approved:</b>	<b>\$ 1,535,574</b>

\*Reclassified as administrative cost

<b>Administrative Cost Calculation</b>	
Total RPTTF for the period July through December 2012	\$ 3,144,382
Total RPTTF for the period January through June 2013	1,410,574
<b>Total RPTTF for fiscal year 2012-13:</b>	<b>\$ 4,554,956</b>
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
<b>Allowable RPTTF distribution for administrative cost for ROPS III:</b>	<b>\$ 125,000</b>

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. 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.

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Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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  
California State Controller's Office