



May 10, 2018

Ms. Bonnie Lipscomb, Executive Director
City of Santa Cruz
337 Locust Street
Santa Cruz, CA 95060

Dear Ms. Lipscomb:

Subject: Last and Final Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34191.6 (b) the City of Santa Cruz Successor Agency (Agency) submitted a Last and Final Recognized Obligation Payment Schedule (Last and Final ROPS) to the California Department of Finance (Finance) on January 30, 2018. Finance has completed its review of the Agency's Last and Final ROPS.

HSC section 34191.6 (c) authorizes Finance to make amendments or changes to the Last and Final ROPS if the changes are agreed to in writing by the Agency. The Agency has agreed in writing to the following changes made by Finance to the Agency's Last and Final ROPS:

- Item No. 2 – 2011A Housing Bonds. The Agency has reported a reserve amount for these bonds of \$947,904. These amounts should be used to make the final bond payments; therefore, Finance has reclassified the funding source for this item in the following periods and in the following amounts:
 - ROPS 23-24A: Finance reduced the Redevelopment Property Tax Trust Fund (RPTTF) requested from \$881,180 to \$871,268 and authorized the use of \$9,912 in Other Funds.
 - ROPS 23-24B: Finance reclassified the entire requested amount of \$28,996 from RPTTF to Other Funds.
 - ROPS 24-25A: Finance reclassified the entire requested amount of \$908,996 from RPTTF to Other Funds.
- Item No. 3 – 2011B Non-Housing Taxable Bonds issued March 1, 2011. Pursuant to HSC section 34191.4 (c) (2) (B) and (C), the Agency is able to spend up to 35 percent of the excess proceeds, but the remainder shall be used at the earliest date to defease the bonds. The Agency has agreed to use \$11,577,968 to defease the bonds. However, pursuant to Section 2.03 of the Indenture of Trust, these bonds are not subject to redemption until March 7, 2021. At that time, the remaining principal balance owed on the bonds will total \$10,195,000; thus \$1,382,968 in excess bond proceeds will remain.

The Agency has agreed to defease the bonds and use the remaining proceeds to pay the debt service prior to redemption. The excess proceeds have been applied to the amount requested in ROPS 19-20A. RPTTF in the amount of \$1,690,933 has been reclassified to \$1,382,968 in Bond Proceeds and \$307,965 in RPTTF.

Furthermore, as the Agency has agreed to defease the bonds, Finance has removed all payments occurring between the ROPS 21-22B and ROPS 26-27B periods and allowed the use of bond proceeds for this item in the ROPS 20-21B period of \$10,195,000.

- Item No. 4 – 2011C Non-Housing Tax-Exempt Bonds issued March 1, 2011. Pursuant to HSC section 34191.4 (c) (2) (B) and (C), the Agency is able to spend up to 35 percent of the excess proceeds, but the remainder shall be used at the earliest date to defease the bonds. The Agency has agreed to use \$4,345,595 to defease the bonds. However, pursuant to Section 2.03 of the Indenture of Trust, these bonds are not subject to redemption until March 7, 2021. At that time, the remaining principal balance owed on the bonds will total \$3,485,000; thus \$860,595 in excess bond proceeds will remain.

The Agency has agreed to defease the bonds and use the remaining proceeds to pay the debt service prior to redemption. The \$860,595 of excess proceeds has been applied in the following periods in the following amounts:

- ROPS 19-20A: Finance has reclassified the amount requested of \$576,458 in RPTTF and approved the use of Bond Proceeds in the amount of \$576,458.
 - ROPS 19-20B: Finance has reclassified the amount requested of \$95,201 in RPTTF and approved the use of Bond Proceeds in the amount of \$95,201.
 - ROPS 20-21A: Finance has partially reclassified the amount requested of \$585,201 in RPTTF and approved the use of Bond Proceeds in the amount of \$188,936 and RPTTF in the amount of \$396,265.
- Item Nos. 6 and 7 – 1010 Pacific OPA and 1280 Schaffer OPA in the total outstanding obligation amounts of \$3,052,263 and \$4,732,528, respectively. The Agency has agreed to use bond reserves from the 2011B and 2011C bond issuances to pay for enforceable obligations after the bonds have been defeased. After the 2011B and 2011C bonds are defeased, Item Nos. 6 and 7 are the only two remaining obligations.

The balance in the reserve accounts for the 2011B and 2011C bonds as of March 31, 2018 are \$2,132,482 and \$691,232, respectively, totaling \$2,823,714. As such, Finance made the following adjustments:

- Item No. 6: Finance reduced the total RPTTF claimed by \$1,152,086, from \$3,052,263 to \$1,900,177 and approved Other Funds totaling \$1,152,086.
- Item No. 7: Finance has reduced the total RPTTF claimed by \$1,671,628, from \$4,732,528 to \$3,060,900 and approved Other Funds totaling \$1,671,628.

Adjustments specific to each ROPS period are reflected in the approved Last and Final ROPS.

- Item No. 135 – Total claimed administrative costs of \$3,750,000 has been adjusted by \$2,435,000, to \$1,315,000. While the total administrative costs originally claimed were within the fiscal year administrative cap, the amount appeared excessive given the number and nature of obligations listed on the Last and Final ROPS. Therefore, with the Agency's concurrence, Finance adjusted the Administrative Cost Allowance for the entire Last and Final ROPS to \$1,135,000. Adjustments specific to each ROPS period are reflected in the approved Last and Final ROPS.

- Item No. 189 – Bond Funded Project – 2011. The Agency originally requested the use of \$8,173,213 in Bond Proceeds from the 2011B and 2011C bond issuances; however, the Agency has agreed to reduce the amount to \$7,540,452. This amount is based on the percentage of 2011 excess bond proceeds that may be spent pursuant to HSC section 34191.4 (c) (2) (B) less amounts authorized for spending in prior ROPS periods.

Finance is approving the Agency's Last and Final ROPS with the above amendments and changes. These changes are reflected in the approved Last and Final ROPS.

The Agency's maximum approved RPTTF distribution for the Last and Final ROPS is \$26,314,590 as summarized in the Approved Last and Final ROPS RPTTF Distribution table below:

Approved Last and Final ROPS RPTTF Distributions							
ROPS Period	A Periods			B Periods			Annual Total
	RPTTF	Admin RPTTF	A Period Total	RPTTF	Admin RPTTF	B Period Total	
Total requested	35,806,630	1,875,000	37,681,630	7,564,647	1,875,000	9,439,647	\$47,121,277
Total adjustments	-16,019,207	-1,210,000	-17,229,207	-2,352,480	-1,225,000	-3,577,480	-20,806,687
Total RPTTF approved for distribution							
ROPS 18-19	3,467,050	125,000	3,592,050	978,500	125,000	1,103,500	4,695,550
ROPS 19-20	1,588,578	45,000	1,633,578	809,595	45,000	854,595	2,488,173
ROPS 20-21	3,440,453	45,000	3,485,453	826,173	45,000	871,173	4,356,626
ROPS 21-22	1,698,016	45,000	1,743,016	212,437	45,000	257,437	2,000,453
ROPS 22-23	1,742,436	45,000	1,787,436	169,346	45,000	214,346	2,001,782
ROPS 23-24	1,769,433	45,000	1,814,433	94,821	45,000	139,821	1,954,254
ROPS 24-25	919,820	45,000	964,820	75,396	45,000	120,396	1,085,216
ROPS 25-26	940,395	45,000	985,395	55,035	45,000	100,035	1,085,430
ROPS 26-27	960,034	45,000	1,005,034	223,393	30,000	253,393	1,258,427
ROPS 27-28	567,721	30,000	597,721	296,625	30,000	326,625	924,346
ROPS 28-29	582,007	30,000	612,007	295,529	30,000	325,529	937,536
ROPS 29-30	591,018	30,000	621,018	294,311	30,000	324,311	945,329
ROPS 30-31	604,909	30,000	634,909	292,855	30,000	322,855	957,764
ROPS 31-32	618,565	30,000	648,565	291,164	30,000	321,164	969,729
ROPS 32-33	296,988	30,000	326,988	296,987	30,000	326,987	653,975
Total approved RPTTF	19,787,423	665,000	20,452,423	5,212,167	650,000	5,862,167	\$ 26,314,590

Please refer to the approved Last and Final ROPS schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Any agreed upon amendments or changes are reflected in the approved Last and Final ROPS posted on the above website.

This is Finance's determination related to the enforceable obligations reported on the Last and Final ROPS. HSC section 34191.6 (c) (2) allows agencies to submit no more than two requests to amend the approved Last and Final ROPS.

ROPS distributions will occur twice annually, one distribution for the July 1 through December 31 (ROPS A period), and one distribution for the January 1 through June 30 (ROPS B period). The Agency will receive RPTTF distributions up to the maximum approved amount on the Last and Final ROPS.

The Agency shall not expend more than the amount approved for each enforceable obligations listed and approved on the Last and Final ROPS. All unspent RPTTF received for enforceable obligations by the Agency should be retained for distribution to the affected taxing entities pursuant to HSC section 34191.6 (d) (2) (G). Further, any revenues, interest, and earnings of the Agency not authorized for use pursuant to the approved Last and Final ROPS shall be remitted the County Auditor-Controller (CAC) pursuant to HSC section 34191.6 (c) (3). Pursuant to HSC section 34187 (e), once an agency has retired or paid off all enforceable obligations and all real property has been disposed of, the Agency is required to dispose of all remaining assets and remit any proceeds to the CAC for distribution to the affected taxing entities.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the Last and Final ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF. However, HSC section 34191.6 (c) (5) provides mechanisms for the Agency to pay enforceable obligations if insufficient RPTTF is available on an approved Last and Final ROPS.

HSC section 34187 (b) defines the process of final dissolution of the Agency. When all enforceable obligations have been retired or paid off, all real property has been disposed of, and all outstanding litigation has been resolved, the Agency shall, within 30 days of meeting these conditions, submit to the Oversight Board (OB) a request to formally dissolve. The OB shall approve the request within 30 days and submit the request to Finance's review.

Pursuant to HSC section 34191.6 (c), Last and Final ROPS approved less than 15 days before the date of the RPTTF distribution shall not be effective until the subsequent RPTTF distribution period; therefore, if an agency receives a Last and Final ROPS approval after this cutoff date, the most recent annual ROPS 18-19 approval would remain effective through June 30, 2019.

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Please direct inquiries to Nichelle Jackson, Supervisor, or Alexander Watt, Lead Analyst, at (916) 322-2985.

Sincerely,



ERIKA LI
Program Budget Manager

cc: Ms. Kathryn Mintz, Development Manager, City of Santa Cruz
Ms. Edith Driscoll, Auditor-Controller, Santa Cruz County