

Oversight Board of the Successor Agency  
to the Redevelopment Agency of the City of Santa Cruz  
809 Center Street  
Santa Cruz, CA 95060



## OVERSIGHT BOARD AGENDA

### Regular Meeting

January 10, 2013

9:30 A.M. CONSENT AND GENERAL BUSINESS, COUNCIL CHAMBERS

### Call to Order

### Roll Call

- \_\_\_\_\_ Hilary Bryant, City of Santa Cruz Mayor
- \_\_\_\_\_ Neal Coonerty, Santa Cruz County Supervisor, District 3
- \_\_\_\_\_ J. Guevara, former Redevelopment Employee, Mid-Managers Association
- \_\_\_\_\_ Doug Ley, Parking District Representative
- \_\_\_\_\_ Cynthia Mathews, Public Member-at-Large
- \_\_\_\_\_ Alvaro Meza, Assistant Superintendent, Santa Cruz County Office of Education
- \_\_\_\_\_ Rachael Spencer, Cabrillo College Trustee

### Administrative Business

Presentations: Successor Agency Update: Bonnie Lipscomb, Director of Successor Agency

### Additions and Deletions

### Consent Agenda

1. Approve Minutes for the December 13, 2012 Oversight Board Meeting

### General Business

2. Approve Due Diligence Review for Non-Low and Moderate Income Housing Funds  
Resolution to approve as Submitted.
3. Approve Cost-Sharing Agreement amongst Taxing Entities for Outside Legal Counsel

Resolution to approve as Submitted.

Oral Communications

Adjournment

Next Scheduled Meeting

Tentatively scheduled for February 21 or 28, 2013 at 9:30AM

Oversight Board of the Successor Agency  
to the Redevelopment Agency of the City of Santa Cruz  
809 Center Street  
Santa Cruz, CA 95060



## DRAFT MINUTES OF THE OVERSIGHT BOARD MEETING

### Regular Meeting

December 13, 2012

9:30A.M. PUBLIC COMMENTS SESSION, CONSENT AND GENERAL BUSINESS, COUNCIL  
CHAMBERS

### Call to Order

Clerk Bren Lehr called the meeting to order at 9:33 a.m. in the City Courtyard Conference Room.

### Roll Call

Present: Board Members Bryant, Coonerty, Guevara, Meza, Spencer, Vice Chair Ley, and Chair Mathews

Staff: Economic Development Director B. Lipscomb, Assistant Finance Director, Cheryl Fyfe, and Accountant Ralph Reader

### Administrative Business

### Public Comments Session

1. Due Diligence Review for Non-Low and Moderate Income Housing Funds
  - a. Staff Presentation
  - b. Public Comments

Chair Mathews opened the public comment period. There were no speakers. Chair Mathews closed the public comment period.

### Presentations

### Additions and Deletions

### Consent Agenda

2. Approve Minutes for the October 11, 2012 Oversight Board Meeting

Chair Mathews opened the public comment period. There were no speakers. Chair Mathews closed the public comment period.

**ACTION:** Motion by Coonerty, second by Spencer, and carried by a 7:0 vote; the Board Members approved the Consent Agenda.

### General Business

3. Accept Outside Legal Counsel Subcommittee's Recommendation to Retain David Kahn

Discussion regarding retaining David Kahn as independent legal counsel for the Oversight Board along with the payment structure of sharing the potential cost amongst taxing entities for outside legal counsel services.

Chair Mathews opened the public comment period. There were no speakers. Chair Mathews closed the public comment period.

**ACTION:** Motion by Mathews, second by Ley, and carried by a 7:0 vote; the Board Members approved Resolution No. OBSA-7 approving the selection of David Kahn as legal counsel to the Oversight Board for the Successor Agency to the Former Redevelopment Agency of the City of Santa Cruz.

Oral Communications - NONE

Adjournment - At 10:20 a.m.

APPROVED: \_\_\_\_\_  
Chair

ATTEST: \_\_\_\_\_  
City Clerk Administrator



**Successor Agency of the Former  
City of Santa Cruz Redevelopment Agency**

**Due Diligence Review  
of the Other Redevelopment Agency Funds  
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)  
of Assembly Bill No. 1484 of 2012**

**Lance Soli & Lunghard, LLP**

Orange County  
Silicon Valley  
Temecula Valley

[www.lslcpas.com](http://www.lslcpas.com)

Successor Agency of the Former  
City of Santa Cruz Redevelopment Agency

Due Diligence Review  
of the Other Redevelopment Agency Funds  
Pursuant to Sections 34179.5(c)(1) through 34179.5(c)(6)  
of Assembly Bill No. 1484 of 2012

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
- A Professional Corporation*
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Successor Agency of the  
Former City of Santa Cruz Redevelopment Agency  
City of Santa Cruz, California

We have performed the procedures enumerated in Attachment A for the Other Redevelopment Agency Funds, which were agreed to by the California State Controller's Office and the State of California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency is complying with Assembly Bill 1484, Chapter 26, Section 17's amendment to health and safety code 34179.5. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Management of the successor agency is responsible for providing all the information obtained in performing these procedures. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As stated above, the scope of this engagement was limited to performing the procedures identified in Attachment A, which specified the "List of Procedures for the Due Diligence Review" obtained from the California Department of Finance Website.

The results of the procedures performed are identified in Attachment B1 through B11.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of a certified opinion as to the appropriateness of the results of the procedures performed. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the Successor Agency.

This report is intended solely for the information and use of the Successor Agency Oversight Board, the Successor Agency and the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Brea, California  
December 6, 2012

**List of Procedures for Due Diligence Review of the Other Redevelopment Agency Funds**

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.
2. If the State Controller's Office has completed its review of transfers required under both sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.
3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
  - a. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - b. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.
  - c. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.



**List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)**

4. Perform the following procedures:
  - a. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
  - b. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.
  - c. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
  - d. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.
5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listing should be attached as an exhibit to the appropriate AUP report.
6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
  - a. Unspent bond proceeds:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
  - b. Grant proceeds and program income that are restricted by third parties:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

**List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)**

- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.
  - c. Other assets considered to be legally restricted:
    - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
    - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
    - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.
  - d. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.
7. Perform the following:
- a. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
  - b. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
  - c. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
  - d. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.
8. Perform the following:
- a. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
  - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

**List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)**

- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
  - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
  - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.
- b. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
  - ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
    - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
  - iii. For the forecasted annual revenues:
    - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.
- c. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
  - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
  - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.
- d. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

**List of Procedures for Due Diligence Review for the Other Redevelopment Agency Funds (Continued)**

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
  - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
  - iii. Include the calculation in the AUP report.
9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.
10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).
11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Procedure 1****ATTACHMENT B1****List of Assets Transferred from the Former Redevelopment Agency to the Successor Agency****Other Redevelopment Agency Funds****As of February 1, 2012**

<b>Asset</b>	<b>Balance at 2/1/2012</b>
Cash	
Pooled cash	\$ 7,507,523
Debt proceeds held by City	2,889,454
Allowance for fair value of investments with City - current	72,118
Cash held by fiscal agent	
Cash held by fiscal agent	12,912,737
Reserve account - cash	724,828
Debt service payment account	3
Project account investments	11,689,391
Reserve account - investments	2,110,000
Allowance for FV of investments with fiscal agent - current	66,432
Interest Receivable	
Pooled cash interest receivable	17,827
Trustee account interest receivable	45,184
Taxes receivable - current	45,023
Accounts receivable	101,351
Grants receivable	465,700
Notes receivable	663,181
Allowance for uncollectible notes	(158,334)
Advances to other funds	208,623
<b>Total Assets transferred:</b>	<b>\$ 39,361,041</b>

**Procedure 2**

**Listing of Transfers (Excluding Payments for Goods and Services) to the City  
Other Redevelopment Agency Funds  
For the Period from January 1, 2011 through June 30, 2012**

**ATTACHMENT B2**

<u>Describe Purpose of Transfer</u>	<u>Enforceable Obligation (EO)/ Other Legal Requirement (LR)</u>	<u>Amount</u>	<u>Legal Documentation Obtained? (Y/N)</u>
<b><u>From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012</u></b>			
No transfers were made to the City during this time period or they were de minimus			
<b><u>From Successor Agency to City for February 1, 2012 through June 30, 2012</u></b>			
No transfers were made to the City during this time period or they were de minimus			

**Procedure 3**

**ATTACHMENT B3**

**Listing of Transfers (Excluding Payments for Goods and Services) to Other Public Agencies or Private Parties  
Other Redevelopment Agency Funds  
For the Period from January 1, 2011 through June 30, 2012**

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Describe Purpose of Transfer	Enforceable Obligation (EO)/ Other Legal Requirement (LR)	Amount	Legal Documentation Obtained? (Y/N)
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**From former Redevelopment Agency to other public agencies or private parties for January 1, 2011 through January 31, 2012**

No transfers were made to the other public agencies or private parties during this time period or they were de minimus

**From Successor Agency to other public agencies or private parties for February 1, 2012 through June 30, 2012**

No transfers were made to the other public agencies or private parties during this time period or they were de minimus

Procedure 4  
Summary of the Financial Transactions of Redevelopment Agency and Successor Agency  
All Funds  
Per schedule attached to List of Procedures for Due Diligence Review

ATTACHMENT B4

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
<b>Assets (modified accrual basis):</b>				
Cash and cash equivalents	\$ 10,901,436	\$ 13,913,970	\$ 11,878,732	\$ 11,427,740
Interest receivable	39,505	79,379	90,562	25,631
Taxes receivable	374,948	373,562	56,278	-
Accounts receivable	1,097	31,160	109,462	22,500
Grants receivable	144,601	1,608,718	465,700	69,482
Restricted cash and investments	2,853,428	35,663,068	38,632,677	28,470,619
Notes receivable	8,445,431	8,723,259	8,913,822	502,182
Advances to Other Funds	320,672	750,623	708,623	178,623
<b>Total Assets</b>	<b>\$ 23,081,118</b>	<b>\$ 61,143,739</b>	<b>\$ 60,855,856</b>	<b>\$ 40,696,777</b>
<b>Liabilities (modified accrual basis):</b>				
Accounts payable	\$ 300,967	\$ 1,553,778	\$ 434,369	\$ 3,528,338
Deferred revenue	140,486	803,928	743,455	5,962
Deposits	7,634	7,634	8,567	5,709
<b>Total Liabilities</b>	<b>449,087</b>	<b>2,365,340</b>	<b>1,186,391</b>	<b>3,540,009</b>
<b>Equity</b>	<b>22,632,031</b>	<b>58,778,399</b>	<b>59,669,465</b>	<b>37,156,768</b>
	<b>\$ 23,081,118</b>	<b>\$ 61,143,739</b>	<b>\$ 60,855,856</b>	<b>\$ 40,696,777</b>
<b>Total Revenues:</b>	<b>\$ 12,981,775</b>	<b>\$ 53,502,304</b>	<b>\$ 8,346,833</b>	<b>\$ 15,273,981</b>
<b>Total Expenditures:</b>	<b>12,829,122</b>	<b>16,523,037</b>	<b>7,455,768</b>	<b>17,093,178</b>
<b>Total Transfers:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in equity</b>	<b>152,653</b>	<b>36,979,267</b>	<b>891,065</b>	<b>(1,819,197)</b>
<b>Beginning Equity:</b>	<b>21,646,479</b>	<b>21,799,132</b>	<b>58,778,399</b>	<b>59,669,464</b>
<b>Ending Equity:</b>	<b>\$ 21,799,132</b>	<b>\$ 58,778,399</b>	<b>\$ 59,669,464</b>	<b>\$ 57,850,267</b>
<b>Other Information (show year end balances for all four periods presented):</b>				
Capital assets as of end of year	\$ 15,394,109	\$ 21,578,573	\$ 21,945,473	\$ 11,532,028
Long-term debt as of end of year	5,563,327	40,284,585	39,255,215	39,260,000



Procedure 5  
Listing of All Assets  
Other Redevelopment Agency Funds  
As of June 30, 2012

ATTACHMENT B5

Assets			Amount
Cash			
	381-11101	Pooled cash	\$ 2,950,351
	382-11101	Pooled cash	143,907
	383-11101	Pooled cash	438,962
	385-11101	Pooled cash	564,158
	481-11101	Pooled cash	210,899
	482-11101	Pooled cash	901,475
	485-11101	Pooled cash	16,278
	486-11101	Pooled cash	502
	487-11101	Pooled cash	3,272,706
	381-11116	Debt proceeds held by City	2,889,454
	381-11901	Allowance for FV of invest with City	22,655
	382-11901	Allowance for FV of invest with City	491
	383-11901	Allowance for FV of invest with City	883
	385-11901	Allowance for FV of invest with City	8,623
	481-11901	Allowance for FV of invest with City	3,425
	482-11901	Allowance for FV of invest with City	2,889
	485-11901	Allowance for FV of invest with City	82
	486-11901	Allowance for FV of invest with City	(1)
	TOTAL CASH:		\$ 11,427,739
Cash with fiscal agent			
	381-11150	Cash held by fiscal agent	18,370,686
	381-18151	Project account - investments	6,289,391
	381-11902	Allow for FV of invest with fiscal agent	35,701
	481-11154	Reserve account - cash	2,823,841
	481-11155	Debt service payment account - cash	1
	483-11154	Reserve account - cash	950,998
	TOTAL CASH WITH FISCAL AGENT:		28,470,618
Interest receivable			
	381-12101	Pooled cash interest receivable	11,041
	381-12103	Trustee account interest receivable	8,117
	382-12101	Pooled cash interest receivable	263
	383-12101	Pooled cash interest receivable	787
	385-12101	Pooled cash interest receivable	1,419
	481-12101	Pooled cash interest receivable	642
	481-12103	Trustee account interest receivable	18
	482-12101	Pooled cash interest receivable	1,666

Procedure 5  
Listing of All Assets  
Other Redevelopment Agency Funds  
As of June 30, 2012

ATTACHMENT B5

			Amount
<b>Assets</b>			
483-12003	Trustee account interest receivable	8	
485-12101	Pooled cash interest receivable	30	
486-12101	Pooled cash interest receivable	1	
487-12101	Pooled cash interest receivable	1,640	
<b>TOTAL INTEREST RECEIVABLE:</b>			25,632
Accounts Receivable			
385-12301	Accounts receivable-CURRENT	22,500	
<b>TOTAL ACCOUNTS RECEIVABLE:</b>			22,500
Notes Receivable			
382-15201	Notes receivable - noncurrent	98,334	
382-15202	Allowance for uncollectible notes	(98,334)	
383-15201	Notes receivable - noncurrent	98,772	
481-15201	Notes receivable - noncurrent	463,410	
481-15202	Allowance for uncollectible notes	(60,000)	
481-16990	Advances to other funds	178,623	
<b>TOTAL NOTES RECEIVABLE:</b>			680,805
Grants Receivable			
381-12501	Grants receivable	69,482	
<b>TOTAL GRANTS RECEIVABLE:</b>			69,482
Capital Assets			
680-17110	Land	902,621	
680-17310	Buildings	2,066,911	
680-17320	Leasehold Improvements	240,267	
680-17115	Land Improvements	66,637	
680-17510	Machinery and Equipment	110,026	
680-17710	Software	10,966	
680-17910	Construction in Progress	8,134,600	
<b>TOTAL CAPITAL ASSETS:</b>			11,532,028
<b>TOTAL ASSETS AT 6/30/2012:</b>			<b>\$ 52,228,804</b>

Procedure 6  
Listing of Assets that are Restricted  
Other Redevelopment Agency Funds  
As of June 30, 2012

ATTACHMENT B6

Item #	Description	Documentation Referenced	Amount	Purpose	Legal Documentation Obtained? (Y/N)
1	Cash with fiscal Agent				
	a) Reserve account	481-11154	\$ 2,823,841	Reserve requirement per trust indenture	Y
	b) Reserve account	483-11154	950,998	Reserve requirement per trust indenture	Y
	c) Debt service account	481-11155	1	Debt service payments per trust indenture	Y
	d) Trustee account interest receivable	481-12103	18	Interest receivable on trustee investments	Y
2	Unspent bond proceeds				
	a) Debt proceeds held by City	381-11116	2,889,454	2004 TABS	Y
	b) 2011 TABS, Series B & C	381-11150	18,370,686	Qualified non-housing projects per Coop Agmt	Y
	c) 2011 TABS, Series B & C	381-18151	6,289,391	Qualified non-housing projects per Coop Agmt	Y
	d) Allow for FV of invest with fiscal agent	381-11902	35,701	Fair market value adjustment of investments	Y
	e) Trustee account interest receivable	381-12103	8,117	Interest receivable on trustee investments	Y
		<b>TOTAL:</b>	<b>\$ 31,368,207</b>		

**Procedure 7**  
**Listing of Assets That Are Not Liquid or Otherwise Available for Distribution**  
**Other Redevelopment Agency Funds**  
**As of June 30, 2012**

ATTACHMENT B7

Item #	Description	Reference	Amount	Value Method	Variance Noted? (Y/N)
1	Capital Assets				
	a) Land	680-17110	\$ 902,621	Cost	N
	b) Buildings	680-17310	2,066,911	Cost	N
	c) Leasehold Improvements	680-17320	240,267	Cost	N
	d) Land Improvements	680-17115	66,637	Cost	N
	e) Machinery and Equipment	680-17510	110,026	Cost	N
	f) Software	680-17710	10,966	Cost	N
	g) Construction in Progress	680-17910	8,134,600	Cost	N
2	Long-term receivable				
	a) North Bay Ford OPA	382-15201	98,334.00	Cost	N
	b) Allowance-North Bay Ford OPA	382-15202	(98,334.00)	Cost	N
	c) Del-Mar Nickelodeon Equipment Loan	383-15201	98,772.38	Cost	N
	d) Tannery Artspace Loan	481-15201	397,448.00	Cost	N
	e) Zero Motorcycle OPA	481-15201	60,000.00	Cost	N
	f) Zero Motorcycle OPA Allowance	481-15202	(60,000.00)	Cost	N
	g) Tannery Artspace Int	481-15201	5,961.72	Cost	N
	h) Advances to other funds	481-16990	178,623.00	Cost	N
TOTAL RESTRICTIONS OF NON-CASH ITEMS			<u>\$ 12,212,833</u>		

Procedure 8a

ATTACHMENT B8a

**Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations  
Other Redevelopment Agency Funds  
As of June 30, 2012**

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation for June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)	
1	MBUAD-Powertrain R & D (Zero Motorcycles)	ROPS I, Page 2, line 1	\$ 17,791	\$ -	\$ 17,791	Y	
2	MBUAD-Trolley Grant Agreement	ROPS I, Page 2, line 2	19,000	6,795	12,205	Y	
3	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 3	300,000	-	300,000	Y	c
4	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 4	254,556	142,132	112,424	Y	c
5	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 5	386,535	-	386,535	Y	c
6	Tannery Digital Media Center - Kron wage monitoring	ROPS I, Page 2, line 6	16,800	7,500	9,300	Y	c
7	Tannery Digital Media Center - Ifland	ROPS I, Page 2, line 7	2,000	1,050	950	Y	c
8	Tannery Digital Media Center - Express Fence	ROPS I, Page 2, line 8	1,000	651	349	Y	c
9	Tannery Digital Media Center - First Alarm	ROPS I, Page 2, line 9	2,300	1,692	608	Y	c
10	Tannery Digital Media Center - Labor Consultants	ROPS I, Page 2, line 10	1,200	-	1,200	Y	c
11	Tannery Digital Media Center - Kron architect-Carey & Co	ROPS I, Page 2, line 11	21,831	15,067	6,764	Y	c
12	Tannery Digital Media Center - Kron geotechnical svcs-TRC	ROPS I, Page 2, line 12	8,168	-	8,168	Y	c
13	Tannery Digital Media Center - ARC	ROPS I, Page 2, line 13	1,187	520	667	Y	c
14	Tannery Digital Media Center - Mark Cavagnero Assoc	ROPS I, Page 2, line 14	5,000	-	5,000	Y	c
15	Tannery Digital Media Center - Kron landscaping	ROPS I, Page 2, line 16	75,000	-	75,000	Y	c
16	Tannery Digital Media Center - Kron utilities	ROPS I, Page 2, line 17	6,837	-	6,837	Y	c
17	Tannery Digital Media Center - Kron House Const. Inspections	ROPS I, Page 2, line 18	10,000	1,421	8,579	Y	c
18	Tannery Digital Media Center Property Mgmt - John Stewart Co.	ROPS I, Page 2, line 19	3,475	2,475	1,000	Y	c
19	Tannery Digital Media Center - erosion control	ROPS I, Page 2, line 20	500	480	20	Y	c
20	Tannery Digital Media Center - Space 110 architectural services-Mark Primack	ROPS I, Page 2, line 22	25,000	-	25,000	Y	c
21	Tannery Digital Media Center-Space 110 Blue Print Dist	ROPS I, Page 2, line 23	3,000	-	3,000	Y	c
22	Tannery Digital Media Center-Space 110 Project Admin	ROPS I, Page 2, line 24	8,000	-	8,000	Y	c
23	Tannery Digital Media Center-Space 110 - permit fees	ROPS I, Page 2, line 25	5,000	-	5,000	Y	c
24	Tannery Digital Media Center-Space 110 - bid dependent	ROPS I, Page 2, line 26	392,210	-	392,210	Y	c
25	Tannery Digital Media Center-Space 110 Const. Inspections	ROPS I, Page 2, line 27	5,000	-	5,000	Y	c
26	Del Mar Property management - Various TBD	ROPS I, Page 3, line 4	19,890	12,823	7,067	Y	a
27	Del Mar Property management - exterior painting	ROPS I, Page 3, line 6	100,000	-	100,000	Y	a
28	Del Mar Property management - roof replacement	ROPS I, Page 3, line 7	100,000	-	100,000	Y	a
29	Del Mar Property management - parking lot reconstruction	ROPS I, Page 3, line 8	30,000	-	30,000	Y	a
30	Contract for professional / legal services ARC TCS 500	ROPS I, Page 3, line 11	900	-	900	Y	
31	Contract for professional / legal services - Best, Best & Krieger LLP	ROPS I, Page 3, line 12	33,262	13,548	19,714	Y	
32	Contract for professional services - Frazier & Assoc	ROPS I, Page 3, line 19	23,050	3,900	19,150	Y	
33	Contract for professional services - Keyser marston	ROPS I, Page 3, line 22	36,220	15,628	20,592	Y	
34	Contract for professional services - Work in Progress Coaching	ROPS I, Page 3, line 24	4,438	-	4,438	Y	
35	Trolley Agreement - Kimley Horn	ROPS I, Page 3, line 25	15,473	407	15,066	Y	
36	Trolley repairs-Santa Cruz Trolley Consortium	ROPS I, Page 3, line 26	16,950	-	16,950	Y	
37	Lower Pacific Aavenue Parking Study - Kimley	ROPS I, Page 3, line 28	82,362	45,313	37,049	Y	
38	Lower Pacific Aavenue Parking Study - Marquez	ROPS I, Page 3, line 29	4,310	2,670	1,640	Y	

Procedure 8a

ATTACHMENT B8a

**Listing of Assets (resources) that are dedicated or restricted for the funding of enforceable obligations  
Other Redevelopment Agency Funds  
As of June 30, 2012**

Item #	Project Name	Reference	Approved Obligation Amount	Amount Paid in Period Ending June 30, 2012	Amount Restricted for Obligation for June 30, 2012 Balance	Legal Documentation Obtained? (Y/N)	
39	Ocean Street Corridor Plan	ROPS I, Page 3, line 30	3,331	-	3,331	Y	
40	Pacific Avenue (Beach Area) Streetscape	ROPS I, Page 3, line 31	88,472	-	88,472	Y	
41	To repay portion of Tannery acquisition loan	ROPS I, Page 3, line 34	100,000	-	100,000	Y	
42	Construct Refuse Collection Site	ROPS I, Page 4, line 2	69,550	69,482	68	Y	a
43	Downtown Directory Sign Program	ROPS I, Page 4, line 11	7,715	1,323	6,392	Y	
44	Façade Improvement Program - Breakers Hotel	ROPS I, Page 4, line 21	20,000	-	20,000	Y	
45	Façade Improvement Program - Garbriella (John C. Daly)	ROPS I, Page 4, line 22	12,368	10,061	2,307	Y	
46	Façade Improvement Program - L Kershner Design	ROPS I, Page 4, line 23	3,000	-	3,000	Y	
47	Façade Improvement Program - Mark Primack	ROPS I, Page 4, line 24	1,000	-	1,000	Y	
48	Façade Improvement Program - Nielson Architects	ROPS I, Page 4, line 25	3,000	-	3,000	Y	
49	Façade Improvement Program - Wayne Palmer Design	ROPS I, Page 4, line 26	3,800	-	3,800	Y	
51	Graffiti Abatement Program	ROPS I, Page 4, line 28	30,000	9,795	20,205	Y	a
52	Branciforte Creek Bike/Ped Bridge Phase I (Design)	ROPS I, Page 5, line 5	79,437	48,208	31,229	Y	a
53	Highway 1/9 Intersection PHASE I - BKF Engineers	ROPS I, Page 5, line 7	155,058	32,509	122,549	Y	
54	Highway 1/9 Intersection PHASE I - BKF Engineers (Environmental Review)	ROPS I, Page 5, line 8	2,178	1,154	1,024	Y	
55	Highway 1/9 Intersection PHASE I - Various & City Public Works	ROPS I, Page 5, line 9	4,320	-	4,320	Y	a
56	San Lorenzo River Bridge Replacement-Phase I - AECOM Tech Services	ROPS I, Page 5, line 14	15,480	14,242	1,238	Y	
57	Wharf Master Plan Phase I - Moffett & Nichol Engineers	ROPS I, Page 5, line 17	49,497	36,173	13,324	Y	b
58	Soquel Frederick Int. Improvement	ROPS I, Page 8, line 1	148,300	-	148,300	Y	a
59	Soquel/Park Way Int. Improvement	ROPS I, Page 8, line 2	214,515	-	214,515	Y	a
			<u>\$ 3,049,266</u>	<u>\$ 497,019</u>	<u>\$ 2,552,247</u>		

**Footnotes:**

- a) These obligations are based on a co-op agreements entered into on February 8, 2011 between the City and the Redevelopment Agency where the will contribute funding from existing and future available tax increment to complete projects on behalf of the City. The items listed in the co-op agreement are in line with the obligations on the approved ROPS. The contracts with third parties will be entered into with the City and they may or may not have been entered into by June 27, 2011 in accordance with AB 1484.
- b) This obligation is based on a professional services agreement between the City and the Redevelopment Agency entered into on March 2, 2011.
- c) These obligations are based on a funding agreement with the United States Department of Commerce dated September 22, 2009. The contracts with third parties may or may not have been entered into by June 27, 2011 in accordance with AB 1484.

**Procedure 8b**

**Listing of Assets (resources) that need to be retained due to insufficient funding for the funding of enforceable obligations  
Other Redevelopment Agency Funds**

**As of June 30, 2012**

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**ATTACHMENT B8b**

No assets need to be retained due to insufficient funding for the funding of enforceable obligations

**Procedure 8c**

**Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for bond debt payments**

**Other Redevelopment Agency Funds**

**As of June 30, 2012**

---

**ATTACHMENT B8c**

No assets need to be retained due to projected insufficient property tax revenues for bond debt payments



Procedure 9

ATTACHMENT B9

Listing of Assets (resources) that need to be retained due to projected insufficient property tax revenues for future ROPS

Other Redevelopment Agency Funds

As of June 30, 2012

Item #	Project Name	Reference	Approved Obligation Amount	Estimated Future Revenues	Revenue Source	Amount Needed to be Retained from June 30, 2012 Balance	Identified on the ROPS 2 or 3?
1	2004 Tax Allocation Bonds	ROPS II, Page 2, line 1	\$ 238,145	\$ -	RPTTF	\$ 238,145	Yes
2	2011 A Housing Bonds	ROPS II, Page 2, line 2	674,589	-	RPTTF	674,589	Yes
3	2011 B Non Housing Taxable	ROPS II, Page 2, line 3	1,460,025	-	RPTTF	1,460,025	Yes
4	2011 C Non Housing Tax Exempt	ROPS II, Page 2, line 4	512,081	-	RPTTF	512,081	Yes
5	1010 Pacific OPA	ROPS II, Page 2, line 6	78,431	-	RPTTF	78,431	Yes
6	1280 Shaffer OPA	ROPS II, Page 2, line 7	122,981	-	RPTTF	122,981	Yes
7	Chestnut LLC OPA	ROPS II, Page 2, line 8	58,130	-	RPTTF	58,130	Yes
8	Administrative Allowance	ROPS II, Page 6, all lines	125,000	-	Admin Allowance	125,000	Yes
9	Del Mar Facility maintenance & mgmt	ROPS II, Page 3, Line 4 ROPS I, Page 3, Line 6 & ROPS II, Page 3, Line 6	24,320.00		Other	24,320	Yes
10	Del Mar Theater exterior painting	ROPS I, Page 3, Line 7 & ROPS II, Page 3, Line 7	50,000.00		Other	50,000	Yes
11	Del Mar Theater roof replacement	ROPS II, Page 3, Line 8	100,000.00		Other	100,000	Yes
12	Del Mar Parking Lot reconstruction	ROPS II, Page 4, Line 29	39,831.00		Other	39,831	Yes
13	Contract for graffiti removal	ROPS II, Page 2, Line 1	50,000.00		Other	50,000	Yes
14	Zero Motorcycles	ROPS II, Page 2, Line 2	20,000.00		Other	20,000	Yes
15	MNUAD - Trolley Agreement	ROPS II, Page 2, Line 8	69,205.00		Other	69,205	Yes
16	First Alarm		608.00		Other	608	Yes
			<u>\$ 3,623,346</u>	<u>\$ -</u>		<u>\$ 3,623,346</u>	

**Procedure 10****ATTACHMENT B10****Summary of Other Redevelopment Agency Funds Available for Allocation to Affected Taxing Entities**

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$	52,228,804
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)		
	To City	-
	To other parties	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)		(31,368,207)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)		(12,212,833)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)		(2,552,247)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)		(3,623,346)
8 Less the amount of payments made on July 12, 2012 to the County Auditor - Controller as directed by the California Department of Finance		<u>(3,206,863)</u>
Amount to be remitted to county for disbursement to taxing entities	\$	<u><u>(734,692)</u></u> a

**Footnotes:**

(a) Amount to be remitted to County for disbursement to taxing entities is zero.



SUCCESSOR AGENCY OF THE FORMER CITY OF SANTA CRUZ REDEVELOPMENT AGENCY

337 Locust Street, Santa Cruz, CA 95060 • 831 420-5150 Fax: 831 420-5151 • www.cityofsantacruz.com

December 6, 2012

Lance, Soll & Lunghard, LLP  
 Certified Public Accountants  
 203 North Brea Boulevard, Suite 203  
 Brea, CA 92821-4056

We are providing this letter in connection with your performance of the Due Diligence Review of the Other Redevelopment Agency Funds in accordance with Assembly Bill 1484 for the Successor Agency of the former City of Santa Cruz Redevelopment Agency. We confirm that we are responsible for the complete and fair presentation of the previously mentioned review in conformity with the listed procedures of the Assembly Bill 1484 Due Diligence Review as published by the State Department of Finance on August 27, 2012. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your review:

1. We have made available to you:
  - a. In accordance with 34179.5(c)(1), the dollar value of all assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.
  - b. In accordance with 34179.5(c)(2), the dollar value of all assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. We have also provided the documentation of any enforceable obligation that required the transfer.
  - c. In accordance with 34179.5(c)(3), the dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. We have also provided documentation of any enforceable obligation that required the transfer.
  - d. In accordance with 34179.5(c)(4), the expenditure and revenue accounting information and have identified transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009–10 fiscal year.
  - e. In accordance with 34179.5(c)(5), a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012.

- f. In accordance with 34179.5(c)(5)(B), an itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.
  - g. In accordance with 34179.5(c)(5)(C), an itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value.
  - h. In accordance with 34179.5(c)(5)(D), an itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, we have provided a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements.
  - i. In accordance with 34179.5(c)(5)(E), an itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.
2. There are no material transactions that have not been properly recorded in the accounting records underlying this Due Diligence Review.
3. Management is not aware of any transfers (as defined by Section 34179.5) from either the former Redevelopment Agency or the Successor Agency to the City, other agencies or private parties for the period January 1, 2011 through June 30, 2012 that have not been identified in this report and related exhibits.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. We have no knowledge of any fraud or suspected fraud affecting this Due Diligence Review involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on this Due Diligence Review.
6. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
7. When applicable, we have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
8. We have identified to you any previous audits, attestation engagements, performance audits, state controller reports or other studies related to the objectives of this Due Diligence Review and whether related recommendations have been implemented.
9. The Successor Agency of the former City of Santa Cruz Redevelopment Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.

10. We are responsible for compliance with the laws, regulations, provisions of contracts and grant agreements applicable to us, and all provisions related to the dissolution of the Redevelopment Agency in accordance with AB 1X 26 and AB 1484.
11. There are no known violations of:
  - a. Laws and regulations,
  - b. Provisions of contracts and grant agreements,
  - c. Provisions related to the dissolution of the Redevelopment Agency in AB 1X 26 and AB 1484 whose effects should be considered for disclosure in this Due Diligence Review.
12. All bank accounts and investments associated with this review have been properly reflected in the general ledger accounting records.
13. No events, including instances of noncompliance, have occurred subsequent to the performance of this Due Diligence Review and through the date of this letter that would require adjustment to or disclosure in the aforementioned Due Diligence Review.

Signed: *Cheryl Lynn*

Signed: \_\_\_\_\_

Title: *Asst Finance Dir*

Title: \_\_\_\_\_

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.

Ms. Bonnie Lipscomb  
December 18, 2012  
Page 3

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



**From:** [Bonnie Lipscomb](#)  
**To:** [Redevelopment Administration](#); [Brandon, Danielle \(Danielle.Brandon@dof.ca.gov\)](#); [Suess, Evelyn \(Evelyn.Suess@dof.ca.gov\)](#)  
**Cc:** [Spickler, Adam <Adam.Spickler@asm.ca.gov> \(Adam.Spickler@asm.ca.gov\)](#); [Bethany.Westfall@sen.ca.gov](#); [Mary Jo Walker \(AUD002@co.santa-cruz.ca.us\)](#)  
**Subject:** RE: Santa Cruz ROPS III MC Determination  
**Date:** Wednesday, December 19, 2012 9:19:30 AM  
**Attachments:** [Santa Cruz ROPS III MC Determination.pdf](#)  
[Meet and Confer 101912 Submitted Request.pdf](#)  
[City of Santa Cruz Meet and Confer Supplemental Information Supplemental 11-15-2012.pdf](#)

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Danielle, Evelyn and to whom it may concern at the Department of Finance Redevelopment Agency Administration,

Unfortunately, the determination letter received yesterday evening attached with your email does not address several of the topics/disputed items detailed in our submitted Meet and Confer Request Form and for which we submitted additional information at your request following our November 2 Meet and Confer session. I have attached all the relevant documents again for your review with this email. These disputed items were also the main discussion topics at our Meet and Confer session held on November 2<sup>nd</sup> and the only reason we submitted an amended ROPS III (as we were directed by DOF staff) within a couple weeks of the original submittal of the ROPS III. To summarize the main discussion, during approved construction work, contractors discovered conditions at the historic Kron house which required a change order in the field of \$62,661 due to multiple foundation and dry rot failures which were not known at the submittal time for the initial ROPS III. We discussed this at length at our Meet and Confer session and the suggestion was made by DOF staff during our Meet and Confer session that it would be possible to increase the line item on the original ROPS III to reflect this increase. Not only is this not addressed in the attached determination letter, there is no discussion whatsoever of our request, nor is there discussion or acknowledgement of the additional supplemental information we submitted regarding this topic as requested by DOF following our November 2<sup>nd</sup> Meet and Confer session (attached).

Additionally, other items as referenced in our submitted Meet and Request Form were not addressed in the attached determination letter. Those items are detailed in B.1. of the [Detail of Request](#) section of our submitted Meet and Confer Request form and include the following enforceable obligations in addition to the \$62,661 Kron House change order:

\$25,000 SBDC Contract- mistakenly left off the initial submittal of ROPS III (entered into prior to June 27, 2011)

\$3,000 incurred costs associated with an uninsured truck which ran into our retaining wall cap at the Tannery Arts Center (lack of repair of the retaining wall would have resulted in unsafe conditions and severe liability for the Successor Agency)

\$20,000 for due diligence review costs (the contract had not been entered into at the submittal time of ROPS III, but will be incurred in the ROPS III period).

It is extremely frustrating that despite our compliance with the rules and regulations as determined by DOF, it appears that DOF is not responding in good faith and has not even acknowledged or addressed the main points discussed in our meeting and subsequent follow up.

These are real costs happening in real time involving legal contracts that the former Agency and Successor Agency have entered into with third party contractors. We cannot delay payment for these costs to a subsequent ROPS period. We do not have the opportunity to ignore our contractual obligations. I hope the omission of these costs in the attached determination letter is an oversight by DOF that will be addressed and remedied. I look forward to discussing this at your earliest convenience.

Sincerely,

Bonnie Lipscomb

Bonnie Lipscomb  
Director of Economic Development  
Director of Successor Agency (Redevelopment)  
City of Santa Cruz  
337 Locust Street  
Santa Cruz, CA 95060  
831.420.5150

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**From:** Redevelopment Administration [mailto:RedevelopmentAdministration@dof.ca.gov]  
**Sent:** Tuesday, December 18, 2012 8:45 PM  
**To:** Bonnie Lipscomb; 'kmintz@cityofsantacruz.com'; aud002@co.santa-cruz.ca.us; 'RDA-SDsupport@sco.ca.gov' (RDA-SDsupport@sco.ca.gov)  
**Subject:** Santa Cruz ROPS III MC Determination

Pursuant to Health and Safety Code (HSC) section 34177 (m), you submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance). You subsequently requested a meet and confer on Finance's determination. Please see the attached letter for Finance's final determination based on the meet and confer session.

Department of Finance  
Redevelopment Agency Administration

RESOLUTION NO. OBSA-8

RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE  
FORMER REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ APPROVING THE  
DUE DILIGENCE REVIEW FOR THE NON-LOW AND MODERATE INCOME HOUSING FUND

WHEREAS, the Successor Agency to the former Redevelopment Agency has prepared pursuant to ABx1 26 and AB 1484 a Due Diligence Review for the Low and Moderate Income Housing Fund; and

WHEREAS, Health and Safety Code Section 34179.5 (a) the Successor Agency employed a licensed accountant, approved by the county auditor-controller, with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances in Non-the Low and Moderate Income Housing Fund available for transfer to taxing entities; and

WHEREAS, in accordance with Health and Safety Code Section 34179.6 (a) the Due Diligence Review for the Non-Low and Moderate Income Housing Fund was submitted to the oversight board, county auditor-controller, and Department of Finance for review on December 10, 2012; and

WHEREAS, in accordance with Health and Safety Code Section 34179.6 (b) the Oversight Board convened a public comments session on December 13, 2012, which is at least five business days before the oversight board holds the approval vote on January 10, 2013; and

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board to the Successor Agency of the former Redevelopment Agency of the City of Santa Cruz, in accordance with Health and Safety Code Section 34179.6 (c), that the Oversight Board hereby reviews in public sessions, approves and transmits to the department and the county auditor-controller the determination of the amount of cash and cash equivalents that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5.

PASSED AND ADOPTED this 10<sup>th</sup> of January, 2013, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Chair

ATTEST: \_\_\_\_\_  
City Clerk Administrator

## RESOLUTION NO. OBSA-9

### RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ APPROVING THE COST-SHARING AMONGST TAXING ENTITIES FOR OUTSIDE LEGAL COUNSEL COSTS CHARGED TO THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SANTA CRUZ

WHEREAS, the Successor Agency to the former Redevelopment Agency has prepared pursuant to ABx1 26 and AB 1484 Recognized Obligation Payment Schedules (ROPS) and corresponding administrative budgets for each respective six-month period; and

WHEREAS, Health and Safety Code Section 34177.3 (b) allows successor agencies to create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance; and

WHEREAS, the Oversight Board to the Successor Agency of the former Redevelopment Agency of the City of Santa Cruz amended and approved the Recognized Obligation Payment Schedule for January 1, 2013 to June 30, 2013 to include TEN THOUSAND DOLLARS (\$10,000) for potential Oversight Board legal counsel; and

WHEREAS, the Oversight Board to the Successor Agency of the former Redevelopment Agency of the City of Santa Cruz directed staff on August 23, 2012 to research and seek qualified legal professionals to potentially serve as independent legal counsel;

WHEREAS, the Oversight Board agreed by consensus at its October 11, 2012 meeting that taxing entities would share the potential cost of outside legal counsel if the California State Department of Finance does not allow the \$10,000 debt obligation on the ROPS for the period January 1, 2013 – June 30, 2013 (ROPS 3) or the ROPS for the period July 1, 2013 – December 31, 2013 (ROPS 4);

WHEREAS, the Oversight Board taxing entities agreed by consensus at its October 11, 2012 that cost-sharing is structured so that non-City taxing entities would pay their proportional share before the City would contribute to the additional outside legal counsel cost;

WHEREAS, the Oversight Board approved the retention of David Kahn as outside legal counsel to the Oversight Board at its regular meeting on December 13, 2012;

WHEREAS, the Oversight Board taxing entities have consulted with their respective agencies and have approved a cost-sharing agreement to retain outside legal counsel funding;

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board to the Successor Agency of the former Redevelopment Agency of the City of Santa Cruz that the Oversight Board hereby approves the cost-sharing structure amongst represented taxing entities where the retention of outside legal counsel is provided for in Health and Safety Code Section 34173 (h).

PASSED AND ADOPTED this 10<sup>th</sup> of January, 2013, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

APPROVED: \_\_\_\_\_  
Chair

ATTEST: \_\_\_\_\_  
City Clerk Administrator