COUNTY OF SANTA CRUZ

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Oversight Board of the City of Scotts Valley Redevelopment Successor Agency
1 Civic Center Drive
Scotts Valley, CA 95066

April 2, 2012

Subject: Certification of the Recognized Obligation Payment Schedule

Executive Summary

Health and Safety Code section 34182 requires the County Auditor-Controller to conduct or cause to be conducted an agreed-upon procedures audit of each former redevelopment agency (RDA) in their respective county by July 1, 2012, and to certify each of the former RDA's draft Recognized Obligation Payment Schedule (ROPS) by April 15, 2012. The procedures listed in this report were agreed to by the State Controller's Office, Department of Finance, and representatives from the offices of various county Auditor-Controllers as part of the agreed-upon procedures audit. The scope of work performed to determine the certification of the ROPS was limited to performing those procedures and reporting the results.

The firm of C.G. Uhlenberg LLP, Certified Public Accountants of Redwood City, California, was hired by the County Auditor-Controller to conduct the agreed-upon procedures audit and to perform many of the steps reflected below in the Certification Scope. The work was performed to assist the County Auditor-Controller in certify the ROPS.

Attachment A is the Recognized Obligation Payment Schedule, which the Santa Cruz County Auditor-Controller hereby certifies.

The results of the certification found that 23 of the 23 items listed on the draft ROPS dated March 30, 2012, were certified.

History of ABX1 26

On June 29, 2011, Governor Brown signed into law ABX1 26, which suspended and dissolved redevelopment agencies effective October 1, 2011. ABX1 27, a companion bill, exempted redevelopment agencies from dissolution if the participating city or county adopted an ordinance agreeing to voluntarily pay additional tax increments to schools and special districts. The California Supreme Court upheld ABX1 26, but overturned ABX1 27.

Summary of ABX1 26

The California Health and Safety Code set forth requirements relating to the dissolution of the former redevelopment agencies.

Health and Safety Code section 34182 requires the County Auditor-Controller to conduct or cause to be conducted an agreed-upon procedures audit of each RDA in the County by July 1, 2012. The purpose of the audits is to establish each RDA's assets and liabilities, determine each passthrough payment obligation to other taxing agencies, to determine any indebtedness incurred by the RDA and to certify the draft ROPS.

Health and Safety Code section 34177 requires an initial draft ROPS be prepared by the Successor Agency for the enforceable obligations[1] of the former RDA by March 1, 2012, for the period January 1, 2012, through June 30, 2012. The County Auditor-Controller must submit the ROPS certification report to the Successor Agency Oversight Board, and the Successor Agency must approve and submit the certified ROPS to the State Controller's Office and the Department of Finance by April 15, 2012.

Certification Scope

1. Inspect evidence that the initial draft ROPS was prepared by March 1, 2012.

2. Determine that the draft ROPS was approved by the Successor Agency's governing board.

3. Inspect evidence that the draft ROPS includes monthly scheduled payments for each enforceable obligation for the current six-month reporting time period.

4. Verify that each enforceable obligation has a funding source assigned which may include: Low and Moderate Income Housing Fund, bond proceeds, reserve balances, administrative cost allowances, RDA Property Tax Trust fund, or other (rents, asset sale, etc.)

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[1] An enforceable obligation includes items such as bonds issued by the former RDA, loans borrowed by the former RDA, judgments and settlements entered by a court of law, any legally binding and enforceable agreement or contract not otherwise void as violating debt limit or public policy, contracts or agreements necessary for the operation of the Successor Agency.

5. Tie each enforceable obligation listed on the draft ROPS to the specific ABX1 26 code section that provides for inclusion.

6. Prepare a cash-needs analysis for each six-month increment from January 1, 2012, through the life of the debt and note any balloon payments or reserve requirements.

7. Select a sample (based on dollar amount and/or percentage amount as determined by the Santa Cruz County Auditor-Controller) and trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.

8. Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS (including amendments) and note any material differences.

This report is intended solely for the information and use of the Santa Cruz County Auditor-Controller, the Successor Agency, the Oversight Board, and 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.

Mary Jo Walker

Mary Jo Walker, CPA
Auditor-Controller

cc: Successor Agency for the former City of Scotts Valley RDA

Attachment A: Obligations Requiring Additional Oversight Board Approval
Attachment B: Certified Recognized Obligation Payment Schedule

OBLIGATIONS REQUIRING ADDITIONAL OVERSIGHT BOARD APPROVAL

The repayment terms on the following three enforceable obligations must be approved by the Scotts Valley Redevelopment Successor Agency Oversight Board. No payments against these obligations should be made until that approval has occurred.

A. Loan Agreement with the City of Scotts Valley (#6 of the ROPS) for $2,109,565

This loan is an enforceable obligation, but the loan repayment terms have expired and must be renegotiated between the Scotts Valley Redevelopment Successor Agency and its Oversight Board. The loan represented a portion of the Agency's initial start-up costs. The agreement, dated September 18, 1991, called for repayment over 20 years, which would have been by September 18, 2011.

B. Loan to the Scotts Valley Successor Housing Agency for SERAF Loan (#15 on the ROPS) for $1,494,011.

C. Loan to Scotts Valley Successor Housing for ERAF Loan (#16 on the ROPS) in the amount of $484,214.

Health and Safety Code 34171(d)(1)(G) which was added by ABX1 26 defines enforceable obligations to include "Amounts borrowed from or payment owing to the Low and Moderate Income Housing Fund of a redevelopment agency, which had been deferred as of the effective date of the act adding this part, provided, however, that the repayment schedule is approved by the Oversight Board."

Name of Redevelopment Agency: Scotts Valley Redevelopment Agency

Project Area(s) RDA Project Area All

ATTACHMENT B

CERTIFIED RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Payee	Description	Project Area	AB 26 Code Section	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	*** Funding Source	Payable from the Redevelopment Property Tax Tax Fund (RPTIF) Payments by month						
									Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)															$ -
2)															$ -
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32)															$ -
	Totals - This Page (RPTIF Funding)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
	Totals - Page 2 (Other Funding)					$ 37,904,094.07	$ 1,601,437.36	N/A	$ 290,836.61	$ 9,190.03	$ 341,235.16	$ 31,483.03	$ 21,090.03	$ 222,002.03	$ 915,836.89
	Totals - Page 3 (Administrative Cost Allowance)					$ -	$ 180,000.00	N/A	$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 90,000.00
	Totals - Page 4 (Pass Thru Payments)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Grand total - All Pages					$ 37,904,094.07	$ 1,781,437.36		$ 305,836.61	$ 24,190.03	$ 356,235.16	$ 46,483.03	$ 36,090.03	$ 237,002.03	$ 1,005,836.89

*** The Preliminary Draft Recognized Obligation Payment Schedule (ROPS) is to be completed by 3/1/2012 by the successor agency, and subsequently be approved by the oversight board and audited by the County.**
**** All totals due during fiscal year and payment amounts are projected.**
***** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)**
RPTTF - Redevelopment Property Tax Trust Fund **Bonds - Bond proceeds** **Other - reserves, rents, interest earnings, etc**
LMIHF - Low and Moderate Income Housing Fund **Admin - Successor Agency Administrative Allowance**

Name of Redevelopment Agency: Scotts Valley Redevelopment Agency

Project Area(s) RDA Project Area All

ATTACHMENT B

CERTIFIED RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Payee	Description	Project Area	AB 26 Code Section	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source ***	Payable from Other Revenue Sources Payments by month Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)	2006 Tax Allocation Bonds	Bank of New York	Bonds issue to fund non-housing projects	Scotts Valley	34167 (d) (1)	7,446,333.75	544,482.50	Fund Balance	273,353.75						$ 273,353.75
2)	2009 Lease Rev Bonds Series A	Bank of New York	Bonds issue to fund non-housing projects	Scotts Valley	34167 (d) (1)	12,585,344.00	300,027.50	Fund Balance			150,013.75				$ 150,013.75
3)	2009 Lease Rev Bonds Series B	Bank of New York	Bonds issue to fund non-housing projects	Scotts Valley	34167 (d) (1)	7,283,658.00	262,458.76	Fund Balance			131,229.38				$ 131,229.38
4)	2003 Certificate of Participation	Bank of New York	Bonds issue to fund non-housing projects	Scotts Valley	34167 (d) (1)	1,730,838.00	46,102.00	Fund Balance			46,102.00				$ 46,102.00
5)	1997 Note Payable	Scotts Valley Water District	Note issue to fund non-housing projects	Scotts Valley	34167 (d) (2)	194,100.00	12,500.00	Fund Balance					7,200.00		$ 7,200.00
6)	Loan Agreement	City of Scotts Valley	City Loan entered into on 9/18/91	Scotts Valley	34167 (d) (2)	2,109,565.00	150,000.00	Fund Balance						150,000.00	$ 150,000.00
7)	Furiniture Invoice	One Work Place	Library Project	Scotts Valley	34167 (d) (5)	9,093.30	90,933.00	Bond Proceed				9,093.00			$ 9,093.00
8)	Reimbursement Agreement	City of Scotts Valley	Lease Payments	Scotts Valley	34167 (d) (5)	12,585,344.00	300,027.50	Fund Balance			150,013.75				$ 150,013.75
9)	Furniture Invoice	Knoll, Inc	Library Project	Scotts Valley	34167 (d) (5)	2,788.57	2,788.57	Bond Proceed	2,045.08						$ 2,045.08
10)	Furniture Invoice	Motivational Systems	Library Project	Scotts Valley	34167 (d) (5)	30,830.60	24,732.85	Bond Proceed	6,097.75						$ 6,097.75
11)	Services Contract	Richards, Watson, Gershon	Legal Services - Successor Agency (1)	Scotts Valley	34167 (d) (5)	50,000.00	8,500.00	Fund Balance				8,500.00			$ 8,500.00
12)	Board Stipends	Board of Directors	Board Meeting Stipends	Scotts Valley	34167 (d) (5)	750.00	2,460.00	Fund Balance	450.00	300.00					$ 750.00
13)	Services Contract	Logan & Powell	Case # CIV467230	Scotts Valley	34167 (d) (5)	125,000.00	20,000.00	Fund Balance			5,000.00	5,000.00	5,000.00	5,000.00	$ 20,000.00
14)	Loan Agreement	City of Scotts Valley	Loan from Wastewater Enterprise Fund	Scotts Valley	34167 (d) (2)	1,655,930.52	0.00	Fund Balance							$ -
15)	Loan	SV Successor Housing Agency	Repayment of SERAF Loan	Scotts Valley	34167 (d) (2)	1,494,011.00	58,112.00	Fund Balance / RPTTF						58,112.00	$ 58,112.00
16)	Loan	SV Successor Housing Agency	Repayment of ERAF Loan	Scotts Valley	34167 (d) (2)	484,214.00									$ -
17)	Services Contract	SV Chamber of Commerce	Marketing Services	Scotts Valley	34167 (d) (5)	450,000.00	25,000.00								$ -
18)	Rental Assistance Agreement	Acorn Court Apartments	Affordable Housing Rent Subsidy	Scotts Valley	34167 (d) (5)	734,929.95	19,773.90	Fund Balance	3,295.65	3,295.65	3,295.65	3,295.65	3,295.65	3,295.65	$ 19,773.90
19)	Rental Assistance Agreement	Bay Tree, LLC	Affordable Housing Rent Subsidy	Scotts Valley	34167 (d) (5)	908,715.38	21,722.28	Fund Balance	3,620.38	3,620.38	3,620.38	3,620.38	3,620.38	3,620.38	$ 21,722.28
20)	Rental Assistance Agreement	Rod Markell	Affordable Housing Rent Subsidy	Scotts Valley	34167 (d) (5)	607,992.00	11,844.00	Fund Balance	1,974.00	1,974.00	1,974.00	1,974.00	1,974.00	1,974.00	$ 11,844.00
21)	2009 Lease Rev Bonds Series A	Bank of New York	Bonds issue to fund non-housing projects	(2)		(12,585,344.00)	(300,027.50)				(150,013.75)				$ (150,013.75)
22)															$ -
23)															$ -
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	Totals - LMHF					$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Totals - Bonds					$ 42,712.47	$ 118,454.42		$ 8,142.83	$ -	$ -	$ 9,093.00	$ -	$ -	$ 17,235.83
	Totals - Other					$ 37,861,381.60	$ 1,482,982.94		$ 282,693.78	$ 9,190.03	$ 341,235.16	$ 22,390.03	$ 21,090.03	$ 222,002.03	$ 898,601.06
	Grand total - This Page					$ 37,904,094.07	$ 1,601,437.36		$ 290,836.61	$ 9,190.03	$ 341,235.16	$ 31,483.03	$ 21,090.03	$ 222,002.03	$ 915,836.89

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LMIHF - Low and Moderate Income Housing Fund **Admin - Successor Agency Administrative Allowance**
(1) The Total Outstanding Debt or Obligation amount of $50,000 is an estimate.
(2) This is an offset to line 2 above. The City of Scotts Valley makes a lease payment to the Sucessor Agency. The Sucessor Agency makes the debt payment (line 2) with this lease payment. The Sucessor Agency must also reimburse the City (line 8) for the lease payment. In order to show both obligations of the Sucessor Agency, but to not overstate the amount needed to make obligation payments, this offsetting credit for the lease payment received from the City is shown here.

Name of Redevelopment Agency: Scotts Valley Redevelopment Agency

Project Area(s) RDA Project Area All

ATTACHMENT B

CERTIFIED RECOGNIZED OBLIGATION PAYMENT SCHEDULE
Per AB 26 - Section 34177 (*)

	Project Name / Debt Obligation	Payee	Description	Project Area	AB 26 Code Section	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source **	Payable from the Administrative Allowance Allocation Payments by month						
									Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Total
1)	Employee Salary & Benefits	City of Scotts Valley	Payroll for City support staff to SA	Scotts Valley	34167 (d) (6)	Reoccurring	90,000.00	Admin	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	$ 45,000.00
2)	Services Contract	Logan and Powell	Legal services for Successor Agency (SA)	Scotts Valley	34167 (d) (6)	Reoccurring	90,000.00	Admin	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	$ 45,000.00
3)															$ -
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	Totals - This Page					$ -	$ 180,000.00		$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 15,000.00	$ 15,000.00	$90,000.00

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