

# AGENDA

Meeting of the  
**Oversight Board for the  
Successor Agency of the  
Scotts Valley Redevelopment Agency**

1 Civic Center Drive  
Scotts Valley, CA 95066  
(831) 440-5600

**Date: October 10, 2012**  
**Time: 3:00 p.m.**

<b>MEETING LOCATION</b> Scotts Valley City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	<b>POSTING</b> The agenda was posted 10-5-12 at City Hall, Scotts Valley Senior Center, Scotts Valley Library and on the Internet at <a href="http://www.scottsvalley.org">www.scottsvalley.org</a> .
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<b>OVERSIGHT BOARD MEMBERS</b> Dene Bustichi, Scotts Valley City Council Rudy Cabigas, Scotts Valley Fire Protection District Vickie Clark, Scotts Valley Unified School District Jack Dilles, Scotts Valley Community Member Corrie Kates, City of Scotts Valley, Community Development Director/Deputy City Manager John Leopold, Santa Cruz County Board of Supervisors Donna Ziel, Cabrillo Community College Governing Bd	<b>SUCCESSOR AGENCY STAFF</b> Steve Ando, Executive Director Tracy Ferrara, Secretary Kirsten Powell, Counsel Ken Anderson, Public Works Director Michelle Fodge, Senior Planner
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<b>Agenda and Agenda Packet Materials:</b> The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency agenda and the complete agenda packet are available for review by 5:00 pm, 72 hours prior to the meeting, on the Internet at the City's website: <a href="http://www.scottsvalley.org">www.scottsvalley.org</a> and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at <a href="http://www.scottsvalley.org">www.scottsvalley.org</a> .
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**CALL TO ORDER** 3:00 p.m.

**ROLL CALL**

**PUBLIC COMMENT TIME**

(This is the opportunity for individuals to make and/or submit written or oral comments to the Board on any items within the purview of the Board, which are **NOT** part of the Agenda. No action on the item may be taken, but the Board may request the matter be placed on a future agenda.)

**ALTERATIONS TO CONSENT AGENDA**

(Board can remove or add items to the Consent Agenda.)

**CONSENT AGENDA**

(The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

- A. Approve Oversight Board meeting minutes of 9-26-12, 4-26-12

**ALTERATIONS TO REGULAR AGENDA**

(Board can remove or add items to the Regular Agenda.)

**REGULAR AGENDA**

(Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

1. Consideration of Resolution No. OB-7 approving the due diligence review of the low and moderate income housing fund conducted pursuant to Healthy and Safety Code Section 34179.5 and taking certain other actions in connection therewith (Ando)
2. Future Board agenda items  
(This portion of the Regular Agenda allows the Successor Agency to determine items to be placed on a future agenda and to choose a date, if so desired.)

**ADJOURNMENT**

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The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency does not discriminate against persons with disabilities. The Scotts Valley City Council Chambers is an accessible facility. If you wish to attend a Board meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the Secretary's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a Board meeting be available in an alternative format consistent with a specific disability, please call the Secretary's Office. The California State Relay Service (TDD to voice: 1-800-735-2929, voice to TDD: 1-800-735-2922), provides Telecommunications Devices for the Deaf and will provide a link between the TDD caller and users of telephone equipment.

## ***PROCEDURAL INFORMATION FOR THE PUBLIC***

### **THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN APPROVAL OF A RESOLUTION:**

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

### **THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:**

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

### **THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:**

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.



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# MINUTES

## Meeting of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency

**Date: September 26, 2012**

**POSTING:**

The agenda was posted on 9-20-12 at City Hall, the SV Senior Center, and the SV Library, by the City Clerk.

**CALL TO ORDER** 3:04 p.m.

**ROLL CALL**

Board Members: Rudy Cabigas, Scotts Valley Fire Protection District  
Vickie Clark, Scotts Valley Unified School District  
Jack Dilles, Scotts Valley Community Member  
Donna Ziel, Cabrillo Community College Governing Board  
Dene Bustichi, Scotts Valley City Council (arrived at 3:06 pm)

Absent: John Leopold, Santa Cruz County Board of Supervisors  
Corrie Kates, City of Scotts Valley, Community  
Development Director/Deputy City Manager

Successor Agency Staff: Steve Ando, Executive Director  
Tracy Ferrara, Secretary  
Kirsten Powell, Counsel  
Ken Anderson, Public Works Director  
Michelle Fodge, Senior Planner

**PUBLIC COMMENT**

None.

**ALTERATIONS TO  
CONSENT AGENDA**

*M/S: Clark/Ziel  
To approve the Consent Agenda.  
Carried 4/0/3 (ABSENT: Bustichi/Leopold/Kates)*

**Consent Agenda:**

A. Approve Oversight Board meeting minutes of 8-22-12

**ALTERATIONS TO  
REGULAR AGENDA**

*M/S: Ziel/Clark*

*To approve the Regular Agenda.*

*Carried 4/0/3 (ABSENT: Bustichi/Leopold/Kates)*

Chair Bustichi arrived at 3:06 pm.

**REGULAR AGENDA**

**1. Public Review of Report on Due Diligence Review**

ED Ando presented the written report and responded to questions from Council. He stated that no action is required today, this meeting is for public review to receive input from the public.

No one from the public attended the meeting.

**2. Future Board agenda items**

None.

**ADJOURNMENT**

The meeting adjourned at 3:15 pm to their next regular meeting on October 10, 2012 at 3:00 pm.

Approved: \_\_\_\_\_

Dene Bustichi, Chair

Attest: \_\_\_\_\_

Tracy A. Ferrara, Secretary

# MINUTES

## Meeting of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency

**Date: April 26, 2012**

**POSTING:**

The agenda was posted on 4-20-12  
at City Hall, the SV Senior Center, and  
the SV Library, by the City Clerk.

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**CALL TO ORDER**                      3:02 p.m.

**ROLL CALL**

Board Members:

- Dene Bustichi, Scotts Valley City Council
- Rudy Cabigas, Scotts Valley Fire Protection District
- Vickie Clark, Scotts Valley Unified School District
- Jack Dilles, Scotts Valley Community Member
- Corrie Kates, City of Scotts Valley, Community  
Development Director/Deputy City Manager
- John Leopold, Santa Cruz County Board of Supervisors
- Donna Ziel, Cabrillo Community College Governing Board

Successor Agency Staff:

- Steve Ando, Executive Director
- Tracy Ferrara, Secretary
- Kirsten Powell, Counsel
- Ken Anderson, Public Works Director

Absent:                                      Michelle Fodge, Senior Planner

**PUBLIC COMMENT**

No one came forward.

**ALTERATIONS TO  
CONSENT AGENDA**

***M/S: Leopold/Clark  
To approve the Consent Agenda.  
Carried 7/0***

**Consent Agenda:**

- A. Approve Oversight Board meeting minutes of April 2, 2012

**ALTERATIONS TO  
REGULAR AGENDA**

***M/S: Dilles/Cabigas  
To approve the Regular Agenda.  
Carried 7/0***

**REGULAR AGENDA**

1. Consider approval of Successor Agency of the Scotts Valley Redevelopment Agency proposed administrative budgets and a Cooperative Budget for advance and reimbursement of administrative, overhead and other expenses with the City of Scotts Valley

ED Ando presented the written staff report and responded to questions from the Board.

***M/S: Leopold/Dilles  
To approve the administrative budgets for January 1, 2012 to June 30, 2012 and July 1, 2012 to December 31, 2012, and the Cooperative Agreement for Advance and Reimbursement of Administrative, Overhead, and Other Expenses between the City of Scotts Valley and the Successor Agency.  
Carried 7/0***

2. Consider approval of Second Amendment to City General Fund Loan and agreements for Supplemental Educational Revenue Augment Fund (SERAF) and Educational Revenue Augmentation Fund (ERAF) loans

ED Ando presented the written staff report and responded to questions from the Board.

***M/S: Leopold/Ziel  
To approve Resolution No. OB-3, a resolution of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency approving repayment of funds advanced for Supplemental Educational Revenue Augmentation Fund (SERAF) payments.  
Carried 7/0***

***M/S: Leopold/Ziel  
To approve Resolution No. OB-4, a resolution of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency approving repayment of funds advanced for Educational Revenue Augmentation Fund (ERAF) payments.  
Carried 7/0***

3. **Reconsideration of Recognized Obligation Payment Schedule (ROPS) for January 1, 2012 to June 30, 2012**

ED Ando presented the written staff report and responded to questions from the Board.

**M/S: Cabigas/Clark**

**To approve replacing the loan on the ROPS for January 1, 2012 to June 30, 2012 from the City's General Fund to the Agency dated September 18, 1991, with the Cooperation Agreement between the same entities dated August 7, 1980, with no change in the dollar amounts.**

**Carried 7/0**

**M/S: Cabigas/Clark**

**To approve the Successor Agency's request to enter into an agreement with the Scotts Valley Wastewater Fund with the same terms as the loan with the former Scotts Valley Redevelopment Agency and to include this agreement on the ROPS as an enforceable obligation.**

**Carried 7/0**

**M/S: Cabigas/Clark**

**To authorize the Scotts Valley Successor Agency to enter into the agreement with the City of Scotts Valley for repayment of the Wastewater Enterprise Fund loan.**

**Carried 7/0**

4. **Consider approval of Recognized Obligation Payment Schedule (ROPS) for July 1, 2012 through December 31, 2012**

ED Ando presented the written staff report and responded to questions from the Board.

**M/S: Leopold/Clark**

**To approve the ROPS for July 1, 2012 to December 31, 2012.**

**Carried 7/0**

5. **Future Board agenda items**

**ADJOURNMENT**

The meeting adjourned at 3:30 p.m. to its next regular meeting on Wednesday, August 29, 2012 at 3:00 pm.

Approved: \_\_\_\_\_  
Dene Bustichi, Chair

Attest: \_\_\_\_\_  
Tracy A. Ferrara, Secretary

# **Scotts Valley Redevelopment Successor Agency MEMORANDUM**

**DATE:** October 10, 2012  
**TO:** Honorable Chair and Oversight Board Members  
**FROM:** Steve Ando, Executive Director  
**SUBJECT:** **Consideration and Approval of Due Diligence Review Report**

## **SUMMARY OF ISSUE**

Health and Safety Code Section 34179.5 requires successor agencies to employ a licensed accountant to conduct due diligence reviews to determine the “unobligated cash balances” in the various funds (i.e. low/moderate income housing fund, etc.) available to transfer to the taxing agencies. That report was completed, and the Oversight Board held a meeting on September 26 to provide a public comment session for this report. There were no comments from the public at that meeting.

As required by law, a minimum of five days has passed prior to the Oversight Board meeting to consider and approve this due diligence review report. Once the report is approved by the Oversight Board, it will be sent to the State Department of Finance (DOF) by the October 15 deadline.

After the report has been transmitted, the DOF has until November 9 to complete its review of the report and to issue findings, determinations, or other decisions, if any. The Successor Agency has one week, until November 16, to request a meet and confer with the DOF to resolve any disputes. The DOF must confirm or modify its position within 30 days. On November 28 the Successor Agency must transfer the unobligated cash balance to the County Auditor-Controller.

## **FISCAL IMPACT**

The unobligated cash balance per the attached report is \$925,996. This will be distributed to the taxing entities by the County Auditor-Controller’s Office.

## **STAFF RECOMMENDATION**

That the Oversight Board approve Resolution No. OB-7 approving the due diligence review report of the Low and Moderate Income Housing Fund.

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## RESOLUTION NO. OB-7

### **A RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY APPROVING THE DUE DILIGENCE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5 AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

#### RECITALS:

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Scotts Valley Redevelopment Agency transferred to the control of the Successor Agency of the Scotts Valley Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LM IHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval.

D. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Due Diligence Review and a copy of the Recognized Obligation Payment Schedule ("ROPS").

E. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review.

F. On September 26, 2012, the Oversight Board held the Public Comment Session pursuant to Health and Safety Code Section 34179.6 (b).

G. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board must review, approve and transmit to DOF and the county auditor-controller, the determination of the amount of cash and cash equivalents in the LMIHF available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. Section 34179.6 (c) provides that the Oversight Board may adjust any amount provided in the Due Diligence Review to reflect additional information and analysis.

H. Section 34179.6(c) empowers the Oversight Board to authorize the Successor Agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5. If the Oversight Board makes this authorization, the Oversight Board must identify to DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of DOF pursuant to Health and Safety Code Section 34179.6(d).

I. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board desires to approve the Due Diligence Review and to authorize the Successor Agency to retain the assets and funds in the amount of \$727,922 identified pursuant to subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review.

**NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34179.6(c).

Section 3. The Oversight Board hereby approves the Due Diligence Review as presented on file with the Secretary.

Section 4. For the purposes of providing for the transfer of housing functions and assets pursuant to Health and Safety Code Sections 34176 and 34181(c), the Oversight Board hereby authorizes the Successor Agency to retain the assets and funds in the amount of \$727,922 identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review, which provides the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained.

Section 5. The staff of the Successor Agency is hereby directed to transmit to DOF and the county auditor-controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents in the LMIHF that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5. Such notice to DOF shall be provided by electronic means and in a manner of DOF's choosing.

Section 6. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute and record such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

**PASSED AND ADOPTED** this 10th day of October, 2012.

AYES:

NOES:

ABSTAIN:

ABSENT:

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Dene Bustichi, Chair

ATTEST:

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Tracy A. Ferrara, Secretary



**C. G. UHLENBERG LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

The California Department of Finance and the Successor Agency of the Scotts Valley  
Redevelopment Agency, Scotts Valley, California:

We have performed the agreed-upon procedures enumerated in Attachment A, which was agreed to by the California Department of Finance and the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency"), solely to comply with statutory requirements pursuant to Health and Safety Code section 34179.5(c). Management of the successor agency is responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A as they were applicable to the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency and the Successor Housing Agency (the City of Scotts Valley). If the procedure was not applicable, we have indicated as such in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. 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 you.

This report is intended solely for the information and use of the California Department of Finance and the Successor Agency 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.

*C.G. Uhlenberg LLP*

Redwood City, California  
September 24, 2012

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

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**Procedure 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.

**Result of Procedure 1:** No exceptions were found as a result of applying the procedure against the former Low and Moderate Income Housing Fund (LMIHF) asset listing. According to the listing prepared by Successor Agency, \$8,686,577 of non-cash assets of the former LMIHF was transferred from the former redevelopment agency to the Successor Housing Agency (the City of Scotts Valley). According to the listing prepared by the Successor Agency, \$2,268,050 of cash of the former LMIHF was transferred from the former redevelopment agency to the Successor Agency.

**Procedure 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.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

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**Results of Procedure 2:** Attachment 1, prepared by the Successor Agency, has been included. For the transfer described, the purchase of land from the City of Scotts Valley for \$725,000, there is no legal document that formed the basis for the enforceable obligation that required the transfer.

**Procedure 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.

Citation:

**Results of Procedure 3:** Attachment 2, prepared by the Successor Agency, has been included. There was one exception to the procedure to obtain the legal document that formed the basis for the enforceable obligation. For the payment to the Security Deposit Program (Transfer # 2 on Attachment 2), there is no legal document that formed the basis for the enforceable obligation that required the transfer.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

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**Procedure 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.

**Results of Procedure 4:** Procedure 4 is not applicable.

**Procedure 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 listings should be attached as an exhibit to the appropriate AUP report.

**Results of Procedure 5:** Attachment 3, prepared by the Successor Agency, has been included. No exceptions were found as a result of applying the procedure.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

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**Procedure 6:** Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that is 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).
- 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.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

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**Results of Procedure 6:** Procedure 6 is not applicable.

**Procedure 7:** Perform the following procedures:

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.

**Results of Procedure 7:** Procedure 7 is not applicable.

**Procedure 8:** Perform the following procedures:

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.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

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- 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.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

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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.

- 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.

**Results of Procedure 8:** Procedure 8 is not applicable.

Procedure 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.

**Results of Procedure 9:** Attachment 4, prepared by the Successor Agency, has been included.

**Procedure 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).

**Results of Procedure 10:** Attachment 5, prepared by the Successor Agency, has been included.

**ATTACHMENT A**  
**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON**  
**PROCEDURES DATED SEPTEMBER 24, 2012**  
**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY**

*All Procedures were only applied against the Low and Moderate Income Housing Funds of the former redevelopment agency, the Successor Agency of the Scotts Valley Redevelopment Agency ("Successor Agency") and the Successor Housing Agency (the City of Scotts Valley), as applicable.*

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No exceptions were found as a result of applying the procedure.

**Procedure 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.

**Results of Procedure 11:** No exceptions were found as a result of applying this procedure:

**Successor Agency of the Scotts Valley Redevelopment Agency**  
**Procedure 2 - Low Moderate Income Housing Funds Transfers to the City of Scotts Valley**

<u>Transfer</u>	<u>Amount</u>	<u>Purpose of Transfer</u>	<u>Legal Description</u>
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**Procedure 2A - January 1, 2011 to January 31, 2012**

1. Land Purchase - From the City of Scotts Valley	\$ (725,000.00)	Purchase of land for affordable housing.	The decision to purchase land held by the City to the Redevelopment Agency was approved by the City Council on February 16, 2011. There is no legal document that required the transfer.
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**Procedure 2B - February 1, 2012 to June 30, 2012**

No transfers during this time period

**Successor Agency of the Scotts Valley Redevelopment Agency  
 Procedure 3 - Low Moderate Income Housing Funds Transfers to Any Other Public Agency or to Private Parties**

<u>Transfer</u>	<u>Amount</u>	<u>Purpose of Transfer</u>	<u>Legal Description</u>
<b>Procedure 3A - January 1, 2011 to January 31, 2012</b>			
1 Habitat for Humanity Loan - ROPS	\$ (300,000.00)	Assist with affordable housing project.	Agreement for Redevelopment Assistance is dated July 29, 2010. Loan Agreement is dated October 11, 2011
2 Security Deposit Program	\$ (8,170.00)	Provide Security Deposit Assistance	The Security Deposit Program is described in the Affordable Housing Action Plan of the Scotts Valley Redevelopment Agency Updated 07/27/10. There is no legal document that required the transfer. Management has stated that at the time the payments were made (between January 1, 2011 to June 30, 2011) providing these amounts was part of the Low and Moderate Income Housing Fund operations.
3 Rent Guarantees - ROPS	\$ (124,460.42)	Low Income Rent Subsidies	Affordable Housing Agreement June 7, 2000 Signed with the developer Henco, LLC; Affordable Housing Agreement October 20, 1999, First Amendment November 4, 2005, Second Amendment 7/18/2007 signed with various owners of the property; Affordable Housing Agreement July 20, 2005 signed with Rob Markell -- See Attachment A for additional explanation (1k)
4 SERAF Loan - ROPS	\$ (305,791.00)	Required by law.	Demand Letter from the California Department of Finance dated November 12, 2010
5 Habitat for Humanity Loan - ROPS	\$ (300,000.00)	Assist with affordable housing project.	Loan Agreement Dated March 2, 2011

**Procedure 3B - February 1, 2012 to June 30, 2012**

No transfers during this time period.

**Successor Agency of the Scotts Valley Redevelopment Agency  
Procedure 5 - Low Moderate Income Housing Funds List of all assets**

<u>Name of the asset</u>	<u>Ending Balance</u>
<b>Balance as of June 30, 2012</b>	
Pooled Cash	\$ 2,402,519.11

**Successor Agency of the Scotts Valley Redevelopment Agency**  
**Procedure 9 - Schedule of June 30, 2012 Cash Balance Needed to Satisfy ROPS Obligations**  
**Low and Moderate Income Housing Funds**

Project Name / Debt Obligation	Payee	Description	ROPS		Pay with Low / Mod Retained Cash
			July 2012 to Dec 2012	Total	
1) 2006 Tax Allocation Bonds	Bank of New York	Bonds issue to fund non-housing projects	\$ 270,447.50	\$ 270,447.50	\$ (270,447.50)
2) 2009 Lease Rev Bonds Series A	Bank of New York	Bonds issue to fund non-housing projects	\$ 150,013.75	\$ 150,013.75	(150,013.75)
3) 2009 Lease Rev Bonds Series B	Bank of New York	Bonds issue to fund non-housing projects	\$ 131,229.38	\$ 131,229.38	(131,229.38)
4) 2003 Certificate of Participation	Bank of New York	Bonds issue to fund non-housing projects	\$ 23,051.00	\$ 23,051.00	(23,051.00)
5) 1997 Note Payable	Scotts Valley Water District	Note issue to fund non-housing projects			
6) Loan Agreement	City of Scotts Valley	City Loan entered into on 8/7/80			
7) Reimbursement Agreement	City of Scotts Valley	Lease Payments	\$ 150,013.75	\$ 150,013.75	(150,013.75)
8) Loan Agreement	City of Scotts Valley	Loan from Wastewater Enterprise Fund			
9) Loan	SV Successor Housing Agency	Repayment of SERAF Loan	\$ 155,101.00	\$ 155,101.00	(153,180.50)
10) Loan	SV Successor Housing Agency	Repayment of ERAF Loan			
11) Services Contract	SV Chamber of Commerce	Marketing Services			
12) Rental Assistance Agreement	Acorn Court Apartments	Affordable Housing Rent Subsidy	\$ 19,773.90	\$ 19,773.90	
13) Rental Assistance Agreement	Bay Tree, LLC	Affordable Housing Rent Subsidy	\$ 21,722.28	\$ 21,722.28	
14) Rental Assistance Agreement	Rod Markell	Affordable Housing Rent Subsidy	\$ 11,844.00	\$ 11,844.00	
15) Services Contract	Logan & Powell	Case # CIV467230	\$ 30,000.00	\$ 30,000.00	
16) Administrative Allowance	City of Scotts Valley	Administrative Allowance	\$ 125,000.00	\$ 125,000.00	
17)					
18) 2009 Lease Rev Bonds Series A	Bank of New York	Bonds issue to fund non-housing projects	\$ (150,013.75)	\$ (150,013.75)	150,013.75
<b>Total</b>			<b>\$ 938,182.81</b>	<b>\$ (727,922.13)</b>	

Successor Agency explanation for the use of the cash balances are needed to satisfy the obligation:

Actual cash on hand for the Successor Agency, excluding the former Low/Moderate Income Housing Fund cash, at June 30, 2012 was \$210,261. The difference between this amount of cash on hand and the amount required by the July 2012 to December 2012 ROPS is a shortfall of \$727,922. The general reason for this cash shortfall is due to the amount of tax distribution on June 1, 2012, for the July 2012 to December 2012 ROPS that was held back by the County for an erroneously perceived overpayment of the December 2011 tax increment.

**Successor Agency of the Scotts Valley Redevelopment Agency  
 Procedure 10 - Balance Available for Allocation to Affected Taxing Entities  
 Low and Moderate Income Housing Funds**

**SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES**

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 2,402,519
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)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
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)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(727,922) (Attachment 4)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	(748,601)
	\$ 925,996

*Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.*

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.