

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

December 13, 2012

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

Call to Order

Roll Call

- _____ Hilary Bryant, City of Santa Cruz Vice 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

Public Comments Session

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

Presentations

Additions and Deletions

Consent Agenda

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

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.

Oral Communications

Adjournment

Next Scheduled Meeting

January 10, 2013 at 9:30AM



ECONOMIC DEVELOPMENT AND REDEVELOPMENT

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

December 10, 2012

Oversight Board to the Successor Agency of the City of Santa Cruz
337 Locust Street
Santa Cruz, CA 95060

**PUBLIC COMMENTS SESSION,
CONSENT AGENDA, AND GENERAL BUSINESS RECOMMENDATIONS
FOR THE DECEMBER 13, 2012 REGULAR MEETING OF THE OVERSIGHT BOARD**

Dear Oversight Board Members:

This letter serves as a comprehensive staff report to the Oversight Board of the Successor Agency of the City of Santa Cruz for all agenda items for the Regular Meeting of the Oversight Board on Thursday, December 13, 2012.

Public Comments Session

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

AB 1484 requires the Oversight Board to hold a public comments session at least five days before the Oversight Board votes to approve and submit the Due Diligence Review for Non-Low and Moderate Income Housing Funds (Due Diligence Review for Non-LMIHF) to the Department of Finance. The Draft Due Diligence Review for Non-LMIHF is attached and posted on the City's website on the Successor Agency page (located under the Department of Economic Development). The Oversight Board will convene the Public Comments Session of the meeting to receive any feedback from members of the public regarding the Due Diligence Review for Non-LMIHF. No action will be conducted by the Oversight Board at the December 13th Meeting. The Oversight Board will meet again on Thursday, January 10th to consider approval of the Due Diligence Review for Non-LMIHF prior to submittal to the Department of Finance by the statutory deadline of January 15, 2013.

Consent Agenda

2. Minutes of the October 11, 2012 Oversight Board Meeting

Recommended Action: Approve as submitted.

General Business

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

At the October 11, 2012 regular meeting, the Oversight Board appointed a three-member subcommittee to evaluate outside legal counsel candidates and provide a recommendation to the Oversight Board. The subcommittee reviewed references and unanimously recommends David Kahn for the Oversight Board's outside legal counsel. Mr. Kahn's billing rates are provided in the attached letter dated November 9, 2012.

Also discussed at the October 11, 2012 regular meeting was the need for taxing entities to share the potential cost of the outside legal counsel as a debt obligation pending the Department of Finance's (DOF) final determination on the Recognized Obligation Payment Schedule for January 1, 2013 through June 30, 2013. Should the DOF deny the debt obligation, staff has submitted a recommendation to the Successor Agency for any outside legal counsel costs to be paid proportionally by each taxing entity based upon the taxing entity's proportion of property tax.

The following table provides the adjusted property tax shares for all taxing entities represented on the Oversight Board totaling 98.6%. The remaining 1.4% of property tax consists of the unrepresented Flood Special District receiving 0.4% and the Santa Cruz Port District receiving 1.0%. Dividing the remaining 1.4% equally amongst the taxing entities represented on the Oversight Board, an additional 0.28% is added to the property tax percentage share in order to reach 100% for the proportional payment of legal counsel charges.

Taxing Entity	Proportional Share (Property Tax % + 0.28%)	Maximum Obligation for Outside Legal Counsel
County of Santa Cruz	26.180%	\$2,618.00
Santa Cruz Elementary *	25.193%	\$2,519.33
City of Santa Cruz	20.880%	\$2,088.00
Santa Cruz High School *	16.193%	\$1,609.33
Cabrillo College	7.080%	\$708.00
County Office of Education *	3.193%	\$309.34
Downtown Parking District	1.480%	\$148.00
TOTAL	100%	\$10,000.00

* Since the single County Office of Education Oversight Board Member represents three taxing entities (Santa Cruz Elementary, Santa Cruz High School, and the County Office of Education) the 0.28% adjustment is further subdivided into thirds, or 0.193%, for the three represented taxing entities with the final .001% remainder, or one cent, added to the County Office of Education.

Based on the consensus reached at the October 11, 2012 meeting, the Oversight Board agreed to a payment schedule where all non-City taxing entities would first pay their share of the potential legal costs before the City would begin paying its proportional share since the City already subsidizes the wind down costs above and beyond the administrative allowance. Therefore, the City would not begin paying additional legal counsel costs until costs exceed \$7,912 of the maximum \$10,000.

To allow time for each taxing entity to discuss the merits of this cost-sharing arrangement, staff recommends that a final retainer agreement and cost-sharing resolution be approved at the January 10, 2013 meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bonnie Lipscomb', with a long horizontal flourish extending to the right.

Bonnie Lipscomb
Director of Economic Development

DRAFT

**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 Soll & Lunghard, LLP

Orange County
Silicon Valley
Temecula Valley

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



CERTIFIED PUBLIC ACCOUNTANTS

- 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

DRAFT

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.

Lance, Soll & Lunghard, LLP

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

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

Asset	Balance at 2/1/2012
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
	<hr/>
Total Assets transferred:	\$ 39,361,041

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**

<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>
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From former Redevelopment Agency to City for January 1, 2011 through January 31, 2012

No transfers were made to the City during this time period or they were de minimus

From Successor Agency to City for February 1, 2012 through June 30, 2012

No transfers were made to the City during this time period or they were de minimus

**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**

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

	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
Assets (modified accrual basis):				
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
Total Assets	\$ 23,081,118	\$ 61,143,739	\$ 60,855,856	\$ 40,696,777
Liabilities (modified accrual basis):				
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
Total Liabilities	449,087	2,365,340	1,186,391	3,540,009
Equity	22,632,031	58,778,399	59,669,465	37,156,768
	\$ 23,081,118	\$ 61,143,739	\$ 60,855,856	\$ 40,696,777
Total Revenues:	\$ 12,981,775	\$ 53,502,304	\$ 8,346,833	\$ 15,273,981
Total Expenditures:	12,829,122	16,523,037	7,455,768	17,093,178
Total Transfers:	-	-	-	-
Net change in equity	152,653	36,979,267	891,065	(1,819,197)
Beginning Equity:	21,646,479	21,799,132	58,778,399	59,669,464
Ending Equity:	\$ 21,799,132	\$ 58,778,399	\$ 59,669,464	\$ 57,850,267
Other Information (show year end balances for all four periods presented):				
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

Assets				<u>Amount</u>
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	
	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:		8,155,033	\$ 8,155,033
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	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

Assets			<u>Amount</u>
	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
	TOTAL INTEREST RECEIVABLE:		<u>25,632</u>
Accounts Receivable			
	385-12301	Accounts receivable-CURRENT	22,500
	TOTAL ACCOUNTS RECEIVABLE:		<u>22,500</u>
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
	TOTAL NOTES RECEIVABLE:		<u>680,805</u>
Grants Receivable			
	381-12501	Grants receivable	69,482
	TOTAL GRANTS RECEIVABLE:		<u>69,482</u>
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
	TOTAL ACCOUNTS RECEIVABLE:		<u>11,532,028</u>
			<u>TOTAL ASSETS AT 6/30/2012: \$ 48,956,098</u>

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

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
		TOTAL:	\$ 31,368,207		

Procedure 7

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

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

**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
4	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 4	254,556	142,132	112,424	Y
5	Tannery Digital Media Center - Kron Construction-CRW	ROPS I, Page 2, line 5	386,535	-	386,535	Y
6	Tannery Digital Media Center - Kron wage monitoring	ROPS I, Page 2, line 6	16,800	7,500	9,300	Y
7	Tannery Digital Media Center - Ifland	ROPS I, Page 2, line 7	2,000	1,050	950	Y
8	Tannery Digital Media Center - Express Fence	ROPS I, Page 2, line 8	1,000	651	349	Y
9	Tannery Digital Media Center - First Alarm	ROPS I, Page 2, line 9	2,300	1,692	608	Y
10	Tannery Digital Media Center - Labor Consultants	ROPS I, Page 2, line 10	1,200	-	1,200	Y
11	Tannery Digital Media Center - Kron architect-Carey & Co	ROPS I, Page 2, line 11	21,831	15,067	6,764	Y
12	Tannery Digital Media Center - Kron geotechnical svcs-TRC	ROPS I, Page 2, line 12	8,168	-	8,168	Y
13	Tannery Digital Media Center - ARC	ROPS I, Page 2, line 13	1,187	520	667	Y
14	Tannery Digital Media Center - Mark Cavagnero Assoc	ROPS I, Page 2, line 14	5,000	-	5,000	Y
15	Tannery Digital Media Center - Kron landscaping	ROPS I, Page 2, line 16	75,000	-	75,000	Y
16	Tannery Digital Media Center - Kron utilities	ROPS I, Page 2, line 17	6,837	-	6,837	Y
17	Tannery Digital Media Center - Kron House Const. Inspections	ROPS I, Page 2, line 18	10,000	1,421	8,579	Y
18	Tannery Digital Media Center Property Mgmt - John Stewart Co.	ROPS I, Page 2, line 19	3,475	2,475	1,000	Y
19	Tannery Digital Media Center - erosion control	ROPS I, Page 2, line 20	500	480	20	Y
20	Tannery Digital Media Center - Space 110 architectural services- Mark Primack	ROPS I, Page 2, line 22	25,000	-	25,000	Y
21	Tannery Digital Media Center-Space 110 Blue Print Dist	ROPS I, Page 2, line 23	3,000	-	3,000	Y
22	Tannery Digital Media Center-Space 110 Project Admin	ROPS I, Page 2, line 24	8,000	-	8,000	Y
23	Tannery Digital Media Center-Space 110 - permit fees	ROPS I, Page 2, line 25	5,000	-	5,000	Y
24	Tannery Digital Media Center-Space 110 - bid dependent	ROPS I, Page 2, line 26	392,210	-	392,210	Y
25	Tannery Digital Media Center-Space 110 Const. Inspections	ROPS I, Page 2, line 27	5,000	-	5,000	Y
26	Monterey Bay National Marine Sanctuary - Various TBD	ROPS I, Page 3, line 1	251,160	-	251,160	Y
27	Del Mar Property management - Various TBD	ROPS I, Page 3, line 4	19,890	12,823	7,067	Y
28	Del Mar Property management - exterior painting	ROPS I, Page 3, line 6	100,000	-	100,000	Y
29	Del Mar Property management - roof replacement	ROPS I, Page 3, line 7	100,000	-	100,000	Y
30	Del Mar Property management - parking lot reconstruction	ROPS I, Page 3, line 8	30,000	-	30,000	Y
31	Contract for professional / legal services ARC TCS 500	ROPS I, Page 3, line 11	900	-	900	Y
32	Contract for professional / legal services - Best, Best & Krieger LLP	ROPS I, Page 3, line 12	33,262	13,548	19,714	Y
33	Contract for professional services - Frazier & Assoc	ROPS I, Page 3, line 19	23,050	3,900	19,150	Y
34	Contract for professional services - Keyser marston	ROPS I, Page 3, line 22	36,220	15,628	20,592	Y
35	Contract for professional services - Work in Progress Coaching	ROPS I, Page 3, line 24	4,438	-	4,438	Y

Procedure 8a

**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)
36	Trolley Agreement - Kimley Horn	ROPS I, Page 3, line 25	15,473	407	15,066	Y
37	Trolley repairs-Santa Cruz Trolley Consortium	ROPS I, Page 3, line 26	16,950	-	16,950	Y
38	Lower Pacific Aavenue Parking Study - Kimley	ROPS I, Page 3, line 28	82,362	45,313	37,049	Y
39	Lower Pacific Aavenue Parking Study - Marquez	ROPS I, Page 3, line 29	4,310	2,670	1,640	Y
40	Ocean Street Corridor Plan	ROPS I, Page 3, line 30	3,331	-	3,331	Y
41	Pacific Avenue (Beach Area) Streetscape	ROPS I, Page 3, line 31	88,472	-	88,472	Y
42	To repay portion of Tannery acquisition loan	ROPS I, Page 3, line 34	100,000	-	100,000	Y
43	Construct Refuse Collection Site	ROPS I, Page 4, line 2	69,550	69,482	68	Y
44	Downtown Directory Sign Program	ROPS I, Page 4, line 11	7,715	1,323	6,392	Y
45	Façade Improvement Program - Breakers Hotel	ROPS I, Page 4, line 21	20,000	-	20,000	Y
46	Façade Improvement Program - Garbriella (John C. Daly)	ROPS I, Page 4, line 22	12,368	10,061	2,307	Y
47	Façade Improvement Program - L Kershner Design	ROPS I, Page 4, line 23	3,000	-	3,000	Y
48	Façade Improvement Program - Mark Primack	ROPS I, Page 4, line 24	1,000	-	1,000	Y
49	Façade Improvement Program - Nielson Architects	ROPS I, Page 4, line 25	3,000	-	3,000	Y
50	Façade Improvement Program - Wayne Palmer Design	ROPS I, Page 4, line 26	3,800	-	3,800	Y
51	Façade Improvement Program - Zero Motorcycles	ROPS I, Page 4, line 27	-	-	-	Y
52	Graffiti Abatement Program	ROPS I, Page 4, line 28	30,000	9,795	20,205	Y
53	Branciforte Creek Bike/Ped Bridge Phase I (Design)	ROPS I, Page 5, line 5	79,437	48,208	31,229	Y
54	Branciforte Creek Bike/Ped Bridge Phase I City Public Works	ROPS I, Page 5, line 6	320,563	-	320,563	Y
55	Highway 1/9 Intersection PHASE I - BKF Engineers	ROPS I, Page 5, line 7	155,058	32,509	122,549	Y
56	Highway 1/9 Intersection PHASE I - BKF Engineers (Environmental Review)	ROPS I, Page 5, line 8	2,178	1,154	1,024	Y
57	Highway 1/9 Intersection PHASE I - Various & City Public Works	ROPS I, Page 5, line 9	4,320	-	4,320	Y
58	San Lorenzo River Bridge Replacement-Phase I - AECOM Tech Services	ROPS I, Page 5, line 14	15,480	14,242	1,238	Y
59	Wharf Master Plan Phase I - Moffett & Nichol Engineers	ROPS I, Page 5, line 17	49,497	36,173	13,324	Y
60	Soquel Frederick Int. Improvement	ROPS I, Page 8, line 1	148,300	-	148,300	Y
61	Soquel/Park Way Int. Improvement	ROPS I, Page 8, line 2	214,515	-	214,515	Y
			<u>\$ 3,620,989</u>	<u>\$ 497,019</u>	<u>\$ 3,123,970</u>	

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

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

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

Procedure 9

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

No assets need to be retained due to projected insufficient property tax revenues for future ROPS

Procedure 10**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)	\$ 48,956,098
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)	(3,123,970)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-
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>\$ (955,775)</u></u>

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

October 11, 2012

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

Call to Order

City Clerk Administrator Bren Lehr called the meeting to order at 9:32 a.m. in the City Courtyard Conference Room.

Roll Call

Present: Board Members Coonerty, Guevara, Meza, Spencer, Vice Chair Ley (arrived at 9:35), and Chair Mathews

Absent: Board Member Bryant

Staff: Economic Development Director B.Lipscomb, Assistant Finance Director, C. Fyfe, and Accountant R. Reader

Administrative Business

ACTION: By consensus, the Board Members agreed that Chair Mathews and Economic Development Director B. Lipscomb would speak to the State Legislature.

Presentations - NONE

Additions and Deletions - NONE

Consent Agenda

2. Approve Minutes of the October 3, 2012 Oversight Board Meeting

Resolution No. OBSA-3 was adopted to approve the minutes of the October 3, 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 Spencer, second by Guevara, and carried by a 6:1:1 vote (Bryant absent, Coonerty abstained); the Board Members approved the Consent Agenda.

General Business

3. Approve and Submit Low and Moderate Income Fund Due Diligence Review

Resolution No. OBSA-6 was adopted to approve the Low and Moderate Income Fund Due Diligence Review.

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

ACTION: Motion by Spencer, second by Coonerty, and carried by a 6:1:0 vote (Bryant absent); the Board Members approved the resolution.

4. Select Oversight Board Legal Counsel

ACTION: By consensus, the Board Members agreed to the following:

1. All taxing entities besides the City of Santa Cruz will share the initial cost of outside legal counsel up to \$8,000.00 with the final \$2,000.00 to be paid by the City of Santa Cruz;
2. Formation of a subcommittee to work with staff on the creation of a letter of intent, check references, and interview potential legal counsel. Chair Mathews appointed Ley, Mesa, and Guevara as the subcommittee members.

Oral Communications

Chair Mathews opened the public comment period and asked Economic Development Director B. Lipscomb to provide updates at this and future meetings. Chair Mathews closed the public comment period.

Adjournment - At 9:53 a.m.

APPROVED: _____
Chair

ATTEST: _____
City Clerk Administrator



RENNE SLOAN HOLTZMAN SAKAI LLP

350 Sansome Street, Suite 300
San Francisco, CA 94104-1304
t: 415.678.3800
f: 415.678.3838

November 9, 2012

DAVID KAHN
(415) 678-3810
DKAHN@PUBLICLAWGROUP.COM

VIA EMAIL

J. Guevara
Redevelopment Manager
City of Santa Cruz
Economic Development Dept.
337 Locust St.
Santa Cruz, CA 95060

Re: Legal Service to the City of Santa Cruz Oversight Board

Dear Mr. Guevara:

We are delighted to be recommended as legal counsel to the City of Santa Cruz Oversight Board.

Per your request, following is a list of Oversight Boards that I provide legal services to:

- City of Healdsburg
- City of Salinas
- City of Petaluma
- City of Santa Monica (effective January 1, 2013)

We are also attaching a sample retainer agreement for as-needed legal counsel. We have no problem providing advice on an "as needed" basis via email or conference call, subject to discussion if it appears that a closed session or other direct communication is required.

We have determined that our firm has represented the County of Santa Cruz in labor and employment matters entirely unrelated to redevelopment issues, and has a current labor matter it is representing the County on. While there is no actual conflict, in view of that representation it will be necessary to obtain waiver letters from the Oversight Board and the County.

We look forward to working with the City of Santa Cruz Oversight Board.

Sincerely,


David Kahn

DEK/etk
Attachments



November 9, 2012

DAVID KAHN
(415) 678-3810
DKAHN@PUBLICLAWGROUP.COM

J. Guevara
Redevelopment Manager
City of Santa Cruz
Economic Development Dept.
337 Locust St.
Santa Cruz, CA 95060

Re: Retention of Services

Dear Mr. Guevara:

This letter sets forth proposed terms for retention of Renne Sloan Holtzman Sakai LLP to provide as-needed Legal Services to the City of Santa Cruz Oversight Board. Please review and return a signed copy.

The Firm will bill the City of Santa Cruz Oversight Board for professional services provided by David Kahn at a public agency discounted billing rate of \$285 per hour. Our associate rates depend on the associate's years of experience out of law school and the rates are \$205 to \$285 per hour. Paralegals are billed at \$95 to \$125 per hour. Billing is done in 1/10s of an hour increments.

In addition, the Firm charges separately for certain costs incurred in the representation, as well as for any disbursements to third parties made on the client's behalf. Such costs and disbursements include, for example, the following: travel (at the IRS rate in effect at the time the travel occurs), computer-assisted research, transcription, overnight delivery and messenger services. For major disbursements to third parties, invoices may be sent directly to you for payment. The Firm also bills for time spent traveling on a client's behalf.

We will bill you on a monthly basis for services performed and costs incurred. Payment is due within 30 days of the date an invoice is rendered. Past due amounts will be shown on the invoice.

You may terminate our services at any time, subject to any applicable requirements for withdrawal of counsel imposed by a tribunal. The Firm reserves the right to withdraw from the representation for failure of the client to make timely payment of fees, costs, and disbursements in accordance with the fee arrangement described in this letter, or for any other reason permitted by the applicable Rules of Professional Conduct.

J. Guevara
Retention of Services – City of Santa Cruz
Page Two

Please let me know if you have any questions or comments regarding this letter or any other matter. If the terms are agreeable, please sign below and return the original of this letter to me. Renne Sloan Holtzman Sakai LLP appreciates the opportunity to work with the City of Santa Cruz Oversight Board.

Sincerely,

David Kahn
Partner

DEK:etk

THE CITY OF SANTA CRUZ OVERSIGHT BOARD AGREES TO THE TERMS SET
FORTH ABOVE

Dated: _____, 2012