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September 20, 2012

The Honorable Thomas J. Borris,
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

SUBJECT: Orange County Grand Jury Report
The Dissolution of Redevelopment: Where Have we Been? What Lies Ahead?
Response to Findings - City of Santa Ana Community Redevelopment Agency

Dear Judge Borris:

Pursuant to the requirements of *Penal Code* §933, please accept the following as the official response from the City of Santa Ana ("City") to the 2011-2012 Orange County Grand Jury report, *The Dissolution of Redevelopment: Where Have we Been? What Lies Ahead?* ("Report"). After thorough review of the Report, the City would like to take this opportunity to respond to the Findings and Recommendations of the Grand Jury. This correspondence is in response to those Findings and Recommendations that relate specifically to the former Community Redevelopment Agency of the City of Santa Ana ("Agency").

FINDINGS:

In compliance with the requirements of *Penal Code* §933.05(a), the City responds to the Findings in the Report as follows:

F1. *As of the date of dissolution of redevelopment (Feb. 1, 2012), all city operated redevelopment agencies, except Mission Viejo and Seal Beach, were exceeding the administrative cost limit of 5% of the tax increment distributed related to the ROPS as authorized by ABXI 26.*

Response: Assembly Bill 1484 makes it clear that the 5% administrative cost allowance was applicable to the period of January 1 through June 30, 2012, and Santa Ana did not exceed such limit.

F2. *Of the agencies surveyed, only Costa Mesa and Santa Ana reported having a citizen involvement committee along the line of a Project Area Committee as authorized by Section 33385 of the Health and Safety Code.*

Response: We appreciate your acknowledgment of Santa Ana's conformity with law and citizen involvement.

F3. *Historically, external oversight over redevelopment has been missing or ineffective in monitoring redevelopment agency compliance and performance. The newly formed oversight boards offer a potential to improve on that record by providing critical evaluation of existing projects and management of the successor agency debt.*

Response: See response to F2. above, further, the City of Santa Ana had external oversight of the Agency with the bi-monthly meetings of the Community Redevelopment and Housing Commission and its review of redevelopment and housing projects and agreements prior to seeking Board review/approval. Also, the Agency Board held public meetings and public hearings bi-monthly seeking community input and involvement on redevelopment and housing projects and agreements. Numerous community outreach efforts were also conducted over the years.

RECOMMENDATIONS:

In compliance with the requirements of *Penal Code* §933.05(b), the City responds to the Recommendations in the Report as follows:

R1. *All successor agencies should review administrative costs to ensure compliance with the limit of five percent of the tax-increment or less as required by ABX1 26 and develop a plan to reduce these costs to three percent of the tax increment received or less in 2012-2013. If these percentages fall below \$250,000, the agencies are allowed to claim the higher amount. (See F1)*

Response: This recommendation has been implemented as required by AB X1 26. The Recognized Obligation Payment Schedule (ROPS) I, II, and III all limit the administrative costs to the statutory maximum as approved by the Successor Agency and Oversight Board. This recommendation will continue to be implemented on all future ROPS.

R2. *Successor agencies and oversight boards should review the Recognized Obligations Payment Schedule with a view toward limiting the range of projects and obligations thereby retiring the enforceable obligation debt as quickly as possible. (See F3)*

Response: This recommendation has been implemented on ROPS I, II and III as approved by the Successor Agency and Oversight Board, and will continue to be implemented on all future ROPS. Only enforceable obligations as defined under AB X1 26, as amended, will be included on the ROPS.

R4. *Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for debt owed to the city. (See F8)*

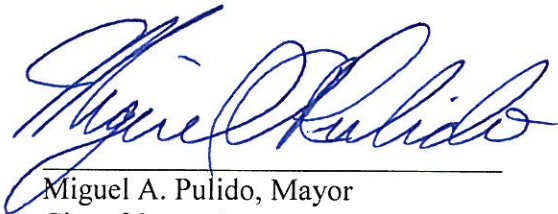
Response: This recommendation has been implemented on ROPS I, II and III as approved by the Successor Agency and Oversight Board, and will continue to be implemented on all future ROPS. Only debt owed to the city that meet the requirements as defined under AB X1 26, as amended, will be included on the ROPS.

R5. *Successor agencies and oversight boards should critically review the Recognized Obligations Payment Schedule (ROPS) to evaluate the need for incentive payments to commercial entities. (See F9)*

Response: Based on our understanding as to the intent of this comment, this recommendation is not applicable as there are no current obligations to provide incentive payments to commercial entities listed on the ROPS.

Thank you in advance for your time and effort in consideration of this matter. If you should have any questions or comments in regard to the contents hereof, please feel free to contact the undersigned.

Sincerely,

A handwritten signature in blue ink, appearing to read "Miguel Pulido", written over a horizontal line.

Miguel A. Pulido, Mayor
City of Santa Ana

cc: Paul Walters, City Manager

Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701