



April 5, 2013

Carol Giovanatto, City Manager
City of Sonoma Successor Agency
No. 1 The Plaza
Sonoma, CA 95476

Dear Ms. Giovanatto:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Sonoma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 19, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 11 – City Loans in the amount of \$459,239 are not obligations of the Agency. These contracts are between the City of Sonoma and SolarCraft Services, Inc. The former RDA is neither a party to the contract nor responsible for payment of the contract. Therefore, this line item is not an enforceable obligation and not eligible for funding on the ROPS.
- Item No. 27 – Village Green II Low Income Housing U.S. Department of Agriculture (USDA) Loan in the amount of \$750,297. This item is partially denied. An adjustment is made to only allow six months of the yearly claimed obligation of \$24,453 (half of \$48,906).

In addition, the USDA loan is a rental subsidy assistance program wherein the Government will credit 57.49 percent (or \$2,343.13) of the monthly payment of \$4,075.50. A journal entry is made to record this credit as rental assistance revenue; therefore, the subsidized portion is denied as a Redevelopment Property Tax Trust Fund (RPTTF) funding and must be funded by other revenue sources. This subsidized portion is calculated at \$14,059, which should be listed as “other” funding sources on the ROPS.

The total amount of RPTTF denied is \$38,512. Therefore, only \$10,394 is eligible for RPTTF funding.

- Items No. 50 through 56 and 58 through 68 – Bond funded citywide projects in the amount of \$7,483,784. These were originally Items No. 30 through 48 on ROPS III

which were denied. Finance continues to deny these items as HSC 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011. The contracts provided were either signed after June 27, 2011 or did not support the amount requested.

We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess bond proceeds from bonds issued prior to *December 31, 2010* for the purposes for which the bonds were issued. Successor Agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in March 2011. Therefore, the Agency's request to use these funds is not supported in law.

Except for items denied in whole or in part as enforceable obligation(s), Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$3,317,405 as summarized below:

| Approved RPTTF Distribution Amount | |
|--|---------------------|
| For the period of July through December 2013 | |
| Total RPTTF funding requested for obligations | \$ 3,397,666 |
| Minus: Six-month total for items denied or reclassified as administrative cost | |
| Item 11 | 41,749 |
| Item 27 | 38,512 |
| Total approved RPTTF for enforceable obligations | \$ 3,317,405 |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | - |
| Minus: ROPS II prior period adjustment | - |
| Total RPTTF approved for distribution: | \$ 3,317,405 |

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS_13-14A_Forms_by_Successor_Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Please direct inquiries to Wendy Griffe, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Cathy Lanning, Administrative Services Manager, City of Sonoma
Mr. Erick Roeser, Property Tax Manager, County of Sonoma
California State Controller's Office