



April 17, 2014

Ms. Jone Hayes, Administrative Services Director
City of Healdsburg
401 Grove Street
Healdsburg, CA 95448

Dear Ms. Hayes:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Healdsburg Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on March 3, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 does not qualify for funding for the reason specified:

Item No. 1 – 2002 Tax Allocation Bonds (TAB), Series A in the amount of \$11,638. The Agency requests \$659,676 of Redevelopment Property Tax Trust Funds (RPTTF) funding; however, based upon our review, an adjustment is necessary to agree with the bond debt service schedule for the payment due August 1, 2014. Therefore, the excess of \$11,638 (\$659,676 - \$648,038) is not eligible for RPTTF funding.

In addition, the following discrepancies were noted during our review:

Item No. 2 – 2002 TAB, Series B in the amount of \$83,725. The Agency did not originally request funding for this item on ROPS 14-15A, as the funding source for the obligation is not funded by RPTTF. Pursuant to HSC section 34177 (a) (3), only those payments listed on ROPS may be made from the funds specified on the ROPS. As such, regardless of funding source, all expenditures for the ROPS 14-15A period need to be included on the approved ROPS 14-15A. Finance increased the Agency's request for this item to match the debt service payment due on August 1, 2014 from Other Funds in the amount of \$83,725. This Item was determined to be an enforceable obligation for the ROPS 14-15A period. Therefore, Finance is approving the use of Other Funds in the amount \$83,725.

Item No. 6 – 2010 TAB in the amount of \$2,475. The Agency has erroneously underfunded the August 1, 2014 bond payment by \$2,475. The Agency has concurred with Finance to adjust the original estimate from \$677,925 to \$680,400 during the ROPS 14-15A period.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the item denied in whole or in part as an enforceable obligation, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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 RPTTF distribution for the reporting period is \$2,526,340 as summarized below:

| Approved RPTTF Distribution For the period of July through December 2014 | |
|---|---------------------|
| Total RPTTF requested for non-administrative obligations | 2,533,866 |
| Total RPTTF requested for administrative obligations | 88,750 |
| Total RPTTF requested for obligations | \$ 2,622,616 |
| Agency requested RPTTF adjustment to non-administrative obligation Item No. 6 | 2,475 |
| Total Agency requested RPTTF adjustments | \$ 2,475 |
| Total RPTTF requested for non-administrative obligations | 2,536,341 |
| <u>Denied Item</u> Item No. 1 | (11,638) |
| Total RPTTF authorized for non-administrative obligations | \$ 2,524,703 |
| Total RPTTF requested for administrative obligations | 88,750 |
| Total RPTTF authorized for administrative obligations | \$ 88,750 |
| Total RPTTF authorized for obligations | \$ 2,613,453 |
| ROPS 13-14A prior period adjustment | (87,113) |
| Total RPTTF approved for distribution | \$ 2,526,340 |

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. 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 section 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.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

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

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. David Mickaelian, Assistant City Manager, City of Healdsburg
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office