



April 9, 2014

Mr. John Haig, Redevelopment Manager
Sonoma County
1440 Guerneville Road
Santa Rosa, CA 95403

Dear Mr. Haig:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sonoma County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 28, 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 do not qualify as enforceable obligations for the reasons specified:

- Item No. 75 – Personnel Costs is partially denied in the amount of \$149,500. The Agency requests Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$200,000 of which \$149,500 of personnel costs relates to Item Nos. 99 through 101. Personnel costs for project implementation are enforceable obligations to the extent they are associated with an enforceable obligation. Item Nos. 99 through 101 are not enforceable obligations as described below. Therefore, \$149,500 of personnel costs is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 99 – Roseland Village Environmental Contamination Clean Up in the amount of \$1,170,250. This item is composed of \$500,000 from RPTTF funding, \$584,921 from Reserve Balances, and \$85,329 from Other Funds. Finance has denied this item on prior ROPS' and continues to be denied. This item is not an enforceable obligation of the Agency as determined on ROPS 13-14B Meet and Confer determination letter dated December 17, 2013. The property was transferred to the Sonoma County Housing Authority (Authority) as of February 12, 2012. HSC section 34176 (a) (1) states that if an entity assumes the authority to perform the housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets shall be transferred to that entity. The Authority has assumed the housing function; as such, all obligations associated with these functions are the responsibility of the Authority, not the Agency. Therefore, this item is not eligible for RPTTF funding in the amount of \$500,000, Reserve Balances in the amount of \$584,921, and Other Funds in the amount of \$85,329, totaling \$1,170,250.

- Item Nos. 100 and 101 – Reimbursement Agreements totaling \$12,224,927 (\$2,264,217 and \$9,960,710, respectively). Finance has denied these items on prior ROPS' and continues to be denied. The Agency requests a total of \$2,264,217 for Item No. 100 to utilize their Reserve Balances in the amount of \$661,041 and RPTTF funding in the amount of \$1,603,176 for the Roseland Village Redevelopment Project. For Item No. 101, the Agency requests a total of \$9,960,713 to be funded by \$2,591,628 from RPTTF funding, \$2,216,175 from Bond Proceeds, and \$5,152,907 from Reserve Balances for the Highway 12 Phase 2 Stage 2 Project.

Pursuant to HSC section 34171 (d) (2) it states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. These items are not considered enforceable obligations as the underlying documents are reimbursement agreements between the Agency and the entity that created it – Sonoma County (County).

Furthermore, in relation to the bond proceeds identified as a funding source for Item No. 101, the item may be allowed for expenditure in the future pursuant to HSC section 34191.4, which states that any successor agency that has been issued a Finding of Completion (FOC) by Finance may use proceeds derived from bonds issued on or before December 31, 2010, for the purpose for which the bonds were sold. The Agency has not been issued FOC. Item Nos. 100 and 101 totaling \$12,224,927 are not enforceable obligations and not eligible for funding.

- Item No. 120 – Housing Entity Administrative Cost Allowance in the amount of \$75,000. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. The housing entity to the former redevelopment agency of the County is the County-formed Housing Authority; the Authority operates under the control of the County. Therefore, \$75,000 of housing entity administrative allowance is not allowed and not eligible for funding on ROPS.

In addition, the following adjustment was made per Agency's request:

Item No. 2 – 2008 Springs Tax Allocation Bond in the amount of \$1,000. The Agency has erroneously overfunded the August 1, 2014 bond payment by \$1,000 and has requested Finance to reduce the original estimate from \$737,000 to \$736,000 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 on the next page includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations, 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 \$1,151,116 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	6,181,367
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations	\$ 6,431,367
Agency requested RPTTF adjustment to non-administrative obligation Item No. 2	(1,000)
Total Agency requested RPTTF adjustments	\$ (1,000)
Total RPTTF requested for non-administrative obligations	6,180,367
<u>Denied Items</u>	
Item No. 75	(149,500)
Item No. 99	(500,000)
Item No. 100	(1,603,176)
Item No. 101	(2,591,628)
Item No. 120	(75,000)
	(4,919,304)
Total RPTTF authorized for non-administrative obligations	\$ 1,261,063
Total RPTTF requested for administrative obligations	250,000
Total RPTTF authorized for administrative obligations	\$ 250,000
Total RPTTF authorized for obligations	\$ 1,511,063
ROPS 13-14A prior period adjustment	(359,947)
Total RPTTF approved for distribution	\$ 1,151,116

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: Ms. Kathleen Kane, Executive Director, Sonoma County
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office