



April 2, 2014

Ms. Carol Giovanatto, City Manager
City of Sonoma
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 14-15A) to the California Department of Finance (Finance) on February 21, 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. 11 – City of Sonoma (City) Loan totaling \$417,490 is not an enforceable obligation. Finance has denied this item on prior ROPS' and continues to be denied. The Agency contends that this item is an enforceable obligation since a Cooperation Agreement exists between the Agency and the City. However, the Lease Agreement between the City and the Municipal Finance Corporation on July 1, 2008, obligated the City for payment of the lease. The former Redevelopment Agency (RDA) is neither a party to the contract nor responsible for payment of the contract. Even though the former RDA signed a Cooperation Agreement with the City and agreed to pay the City for the lease on June 2, 2010, HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable. Furthermore, HSC section 34171 (d) (2) also states that written agreements entered into at the time of issuance and solely for the purpose of securing or repaying those debt obligations may be deemed enforceable obligations. However, the Cooperation Agreement between the City and the former RDA was not entered into at the time of debt issuance. Therefore, this item is not an enforceable obligation and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on the ROPS.
- Item No. 27 – Village Green II Low Income Housing United States Department of Agriculture (USDA) Loan in the amount of \$38,512. Finance has partially denied this item in ROPS 13-14A and continues to be partially denied. Agency claimed the full year's obligation of \$48,906. 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 RPTTF funding and must be funded by other revenue sources. This subsidized portion is calculated at \$14,059, which should be listed as funded by Other Funds on the ROPS.

The total amount of RPTTF denied is \$38,512. Therefore, only \$10,394 out of \$48,906 is eligible for RPTTF funding.

- Item No. 28 – Affordable Housing Project in the amount of \$1,450,000 in Bond Proceeds is not an enforceable obligation. Finance has denied this item on prior ROPS' and continues to be denied. It is our understanding that no contract has been awarded for this item. HSC section 34163 (b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Furthermore, the Agency is requesting to utilize their 2011 bond proceeds. Pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion (FOC) by Finance will be allowed to use excess 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 of 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, this item is not an enforceable obligation and not eligible for bond proceeds on the ROPS.
- Item Nos. 30 through 33, 35 through 39, and 41 through 48 – Citywide Projects totaling \$6,750,538 in Bond Proceeds are not enforceable obligations. These were originally Item Nos. 30 through 48 on ROPS III, than changed to Item Nos. 50 through 68 in ROPS 13-14A and ROPS 13-14B, which were denied. Finance continues to deny these items as HSC section 34163 (b) prohibits agencies from entering into contracts after June 27, 2011. The contracts provided were signed after June 27, 2011. Pursuant to HSC section 34191.4 (c), successor agencies that have been issued a FOC 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 of 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, these items are not enforceable obligations and not eligible for bond proceeds on the ROPS.

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

Item No. 3 – 2010 Tax Allocation Bond in the amount of \$4,000. The Agency has erroneously underfunded the December 1, 2014 bond payment by \$4,000 and has requested Finance to increase the original estimate from \$741,823 to \$745,823 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 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 \$3,547,739 as summarized below:

Approved RPTTF Distribution For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	3,536,731
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,661,731
Agency requested RPTTF adjustment to non-administrative obligation Item No. 3	4,000
Total Agency requested RPTTF adjustments	\$ 4,000
Total RPTTF requested for non-administrative obligations	3,540,731
<u>Denied Items</u>	
Item No. 11	(41,749)
Item No. 27	(38,512)
	(80,261)
Total RPTTF authorized for non-administrative obligations	\$ 3,460,470
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 3,585,470
ROPS 13-14A prior period adjustment	(37,731)
Total RPTTF approved for distribution	\$ 3,547,739

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. Cathy Lanning, Administrative Services Manager, City of Sonoma
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office