

April 7, 2015

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 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 28 – Affordable Housing Project in the total amount of \$1,450,000 in Bond Proceeds is not an enforceable obligation. Finance has denied this item on prior ROPS' and continues deny this item. 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 \$6,968,533 in Bond Proceeds are not enforceable obligations. These were originally Item Nos. 30 through 48 on ROPS III, and then 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, Finance noted on the ROPS 14-15A Prior Period Adjustment worksheet, the Agency's expenditures exceeded Finance's authorization for the following items:

- Other Funds totaling \$55,808 – Item No. 11, \$41,749 and Item No. 27, \$14,059.

Per HSC section 34177 (a) (3), only those payments listed on ROPS may be made by the Agency from the funds specified on the ROPS. In addition, Finance notes that Item No. 11 was denied during the ROPS 14-15A period and should not have been funded from any funding source. Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 9 – Visitors Bureau Contract for Service in the amount of \$109,000. The Agency requests \$109,000 of RPTTF; however, Finance is reclassifying \$41,749 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the Agency should have \$41,749 in available Other Funds. Therefore, Finance is approving Redevelopment Property Tax Trust Fund (RPTTF) in the amount of \$67,251 and the use of Other Funds in the amount of \$41,749, totaling \$109,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part or the item that has been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,391,039 as summarized in the Approved RPTTF Distribution table on the next page:

<b>Approved RPTTF Distribution</b>	
<b>For the period of July through December 2015</b>	
Total RPTTF requested for non-administrative obligations	3,307,788
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 3,432,788</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,307,788</b>
<u>Reclassified Item</u>	
Item No. 9	(41,749)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 3,266,039</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF authorized for administrative obligations</b>	<b>\$ 125,000</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 3,391,039</b>
ROPS 14-15A prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 3,391,039</b>

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. The beginning balances for Reserve Balances, Other Funds, and RPTTF could not be supported by the Agency's financial records. As a result, Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

Please refer to the ROPS 15-16A 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, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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 Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD  
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