



May 23, 2012

Ingrid Alverde, Redevelopment Manager
City of Petaluma
27 Howard Street
Petaluma, CA 94952

Dear Ms. Alverde:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Petaluma (City) Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on April 26, 2012 for the period January through June 2012 and on May 10, 2012 for the period July through December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through June 2012 ROPS

Except for items disallowed in whole or in part as enforceable obligations (EO) noted in Finance's letter dated May 11, 2012, Finance is approving the remaining items listed in your ROPS.

July through December 2012 ROPS

Except for items disallowed in whole or in part as EOs noted below, Finance is approving the remaining items listed in your ROPS.

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

- Form A, Item No. 6 and Item Nos. 8 through 15 – Successor Housing Project Management and Administration and Various Housing Related Contracts and Agreements for \$6.3 million. HSC section 34176 (a) states that if a city or county that authorized the creation of an RDA elects to retain the responsibility for performing housing functions, all rights, powers, duties, and obligations shall be transferred to the city or county. It is our understanding that the City has elected to assume the function of the Successor Housing Agency. These line items related to affordable housing compliance are obligations of the Successor Housing Agency, not of the Successor Agency to the RDA and, therefore, do not qualify as EOs.
- Form A, Item Nos. 18 and 23 – EPA Grant Match and Petaluma Marina Loan for \$1.2 million. It is our understanding that these are obligations of the City, not the RDA and, therefore, do not qualify as EOs.
- Form A, Item No. 24 – Cooperative Agreement between the City and RDA for \$5.5 million. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable.

- Form B, Item Nos. 2 and 10 – Cooperative Construction Agreement, Right of Way Acquisition Funds, Costs to Supervise Right of Way Acquisition, and Costs to Supervise the Construction for \$9.7 million. It is our understanding that these agreements with the Sonoma County Transportation Agency (SCTA) are obligations of the City, not the RDA. Furthermore, contracts for these line items were not in place prior to June 28, 2011. HSC section 34163(b) prohibits a RDA from entering into a contract with any entity after June 27, 2011. Therefore, these items do not qualify as EOs.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of Redevelopment Property Tax Trust Fund (RPTTF) that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. 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 in the RPTTF.

Please direct inquiries to Chikako Galamba, Supervisor or Wendy Griffe, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: John C. Brown, City Manager, City of Petaluma
Sue Castellucci, Housing Coordinator, City of Petaluma
Erick Roeser, Property Tax Manager, Sonoma County