

May 11, 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 Petaluma 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. Finance staff contacted you for clarification of items listed in the ROPS.

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

- Form A, line item 6 and line items 8 through 15 totaling \$6.3 million for Successor Housing Project Management and Administration and various housing related contracts and agreements. 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 of Petaluma (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 former RDA and, therefore, do not qualify as EOs.
- Form A, line items 18 and 23 totaling \$1 million for local match for an EPA grant and the Petaluma Marina loan. It is our understanding that these are obligations of the City, not the former RDA and, therefore, do not qualify as EOs of the former RDA.
- Form A, line item 24 in the amount of \$6.0 million for a Cooperative Agreement between the City and the former RDA. 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, line items 2, 10, and 18 totaling \$11.7 million for a Cooperative Construction Agreement, Right of Way Acquisition Funds, Costs to Supervise Right of Way Acquisition, Costs to Supervise the Construction, and a Cooperative Agreement. It is our understanding that these agreements with the Sonoma County Transportation Agency (SCTA) are obligations of the City, not the former 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.

- Form B, line items 5 and 19 totaling \$10.3 million for Local Agency matching funds. It is our understanding that these agreements for matching payments with the SCTA are obligations of the City, not the former RDA. Although the former RDA had resolved to contribute to the future funding of the project, we understand that 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.
- Administrative expenses of \$108,186 (see Attachment A). HSC section 34171 (b) limits the 2011-12 administrative cost allowance to five percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Therefore, \$108,186 of the claimed \$426,200 in administrative expenses is not an EO.

As authorized by HSC section 34179 (h), Finance is returning your ROPS for your reconsideration. This action will cause the specific ROPS items noted above to be ineffective until Finance approval. Furthermore, items listed on future ROPS will be subject to review and may be denied as EOs.

Finance may continue to review items on the ROPS in addition to those mentioned above and identify additional issues. We will provide separate notice if we are requesting further modifications to the ROPS. It is our intent to provide an approval notice with regard to each ROPS prior to the June 1 property tax distribution date.

If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

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

Sincerely,



MARK HILL
Program Budget Manager

Attachment

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

Attachment A
Administrative Cost Calculation
 For the period January – June

Allowed Administrative Costs Calculation	
Total RPTTF Funding (Form A total, Form B, line items 11-19 and Form C total)	12,410,863
Less: Admin costs included in above totals (Form A, line items 19, 20, 22)	41,796
Less: Denied items funded with tax increment (Form A, line items 6, 8, 9-15, 18, 24 and Form B, line items 18 and 19)	6,008,790
Total funded from RPTTF:	6,360,277
5% of tax allocation:	318,014
Allowed Administrative Costs (Greater of 5% or \$250,000):	\$ 318,014

Line Items Considered Administrative Costs			
Form	Item No.	Debt Obligation	
A	19	Office Equipment Lease	\$ 3,096
A	20	Legal Services	37,500
A	22	Ice House Lease - office space & storage	1,200
C	1	Administrative Costs	384,404
Total:			426,200
Administrative Cap:			318,014
Amount Denied (Total - Administrative Cap):			\$ 108,186