DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 17, 2012

David Gouin, Director of Economic Development and Housing
City of Santa Rosa
90 Santa Rosa Avenue
Santa Rosa, CA 95404

Dear Mr. Gouin:

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Santa Rosa Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS) to the California Department of Finance (Finance) on May 3, 2010 for the period January through June 2012 and July through December 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:

- Item No. 27 page 1, Item Nos. 9 -10 page 5 listed on the January through June 2012 ROPS – 2005 City Loan totaling $8.1 million. Item No. 27 page 1 and no. 10 page 4 listed on the July through December 2012 ROPS – City loan totaling $7.6 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 unless the loan agreements were entered into within the first two years of the RDA's creation.

- Item No. 22 page 3 and Item No. 18 page 5 listed on the January through June 2012 ROPS - Leddy Funding Agreement of $46,637 and Economic Development Amendment of $406,471 respectively. Item No. 16, page 4 and item no. 22, page 2 on the July through December 2012 ROPS. HSC section 34171(d)(2) states that agreements, contracts, or arrangements between the city, county, or city and county that created the redevelopment agency and the former redevelopment agency are not enforceable obligations.

- Administrative expenses for $857,695 on the January through June 2012 ROPS. HSC section 34171 (b) limits administrative expenses to five percent of property tax allocated to the successor agency or $250,000, whichever is greater. Five percent of the property tax allocated is $204,344. Therefore, $857,695 of the claimed $1,107,695 is not an EO. Administrative expenses include item number 9 page 1, 1-10 page 2, 10-12 page 3, 0-7 and 9 page 4, 1-9 page 6 and 2-5 page 7.

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.

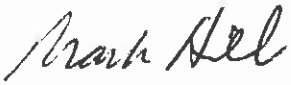
If you believe we have reached this conclusion in error, please provide further evidence that the items questioned above meet the definition of an EO and submit to the following email address:

Redevelopment_Administration@dof.ca.gov

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.

Please direct inquiries to Robert Scott, Supervisor or Jenny DeAngelis, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Ms. Cheryl Woodward – Deputy Director, City of Santa Rosa
Ms. Kim Nadeau, Redevelopment Specialist, City of Santa Rosa
Ms. Donna Dunk, Assistant Auditor Controller, Sonoma County