



May 26, 2012

Carol E. Giovanatto, Assistant City Manager
City of Sonoma
No. 1 The Plaza
Sonoma, CA 95476

Dear Ms. Giovanatto:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the City of Sonoma Successor Agency submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 13, 2012 for period January to June 2012 and on May 15, 2012 for the period July to 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.

Finance is approving the items listed in both ROPS except for the following:

January to June 2012 ROPS

- Item 26, Form A in the amount of \$30,627 for the Depot Park Project. It's our understanding significant amendments were executed after June 27, 2011. HSC section 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011.
- Items 4, 6 through 10, 15, and 20, Form B, totaling \$1 million. The contracts provided do not agree with the total obligations listed on the ROPS. In addition, some of the contracts were signed after June 27, 2011. HSC section 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011.
- Items 5, 14, 17, 18, and 21 through 23, Form B totaling \$115,532 are for projects with no contracts.
- Items 11 through 13, Form B, totaling \$88,517 are for contracts signed after June 27, 2011. HSC section 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011.
- Administrative cost of \$93,852 is not allowed. 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. Five percent of the property tax allocated is \$126,648. Therefore \$93,852 of the claimed \$343,852 is not an EO. The following items are considered administrative costs: page 1 items 18 through 20 and 24 through 25.

July to December 2012 ROPS

- Items 6 and 8 Form B, totaling 1.6 million. It's our understanding these contracts were signed after June 27, 2011. HSC section 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011.
- Items 4, 7, 9 Form B totaling 1.9 million. The contracts provided do not agree with the total obligations listed on the ROPS. In addition, some of the contracts received were signed after June 27, 2011. HSC section 34163 (b) prohibits the successor agency from entering into contracts after June 27, 2011.
- Items 10 through 12, Form B totaling \$1.9 million. No support was provided for these items. Therefore, this is not an EO.
- Administrative cost of \$83,932 is not allowed. HSC section 34171 (b) limits the 2012-13 administrative cost allowance to three percent of the property tax allocated to the successor agency or \$250,000, whichever is greater. Three percent of the property tax allocated is \$126,521. Therefore \$83,932 of the claimed \$333,932 is not an EO. The following items are administrative costs: page 1, items 13 through 15 and 18 through 19.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) 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 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 Robert Scott, Supervisor or Kylie Le, Lead Analyst at (916) 322-2985.

Sincerely,



MARK HILL
Program Budget Manager

cc: Mr. Erick Roeser, Property Tax Manager, Sonoma County