



Transmitted via e-mail

May 17, 2021

Tina Rivera, Assistant Executive Director
Sonoma County
1440 Guerneville Road
Santa Rosa, CA 95403

2021-22 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated March 30, 2021. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Sonoma County Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) to Finance on January 29, 2021. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 14, 2021.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed:

- Item No. 119 – General administration costs requested in the amount of \$250,000 exceeds the Administrative Cost Allowance (ACA). Finance continues to deny excess administrative costs. The Agency's ACA was previously reduced to \$0 based on the calculation of the allowable amount pursuant to HSC section 34171 (b). The Agency contends the bond requires the collection of the Redevelopment Property Tax Trust Fund (RPTTF) to ensure debt service payments can be made, and at minimum, the Agency should be collecting \$785,000 in the July 1, 2020 through June 30, 2021 (ROPS 20-21) period. During ROPS 20-21, Finance authorized \$783,000 in RPTTF funding for the 2008 Springs Tax Allocation Bonds debt service payments. However, due to the prior period adjustment (PPA) applied for the July 1, 2018 through June 30, 2019 (ROPS 18-19) period, the authorized RPTTF for distribution was reduced to \$0.

The Agency further provided accounting records and trustee bank statements indicating a reserve, in the approximate amount of \$582,000 from the 1986 Series A Tax Allocation Bonds (1986 Bonds), were bond proceeds and available to fund the Agency's ACA. However, Finance notes the 1986 Bonds have been retired and the reserve requirement pursuant to the bond indenture is no longer applicable since debt service payments are not required. Therefore, the cash amount available received from the bond trustee are no longer pledged to payment of the 1986 Bonds.

HSC section 34171 (b) limits the fiscal year ACA to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed to pay enforceable obligations in the preceding fiscal year. The Agency received no RPTTF distribution during ROPS 20-21. As a result, the Agency's maximum ACA for fiscal year 2021-22 is \$0. This limitation applies to administrative costs whether paid within the ACA or not. Therefore, the cash amount received from the bond trustee is not eligible to pay administrative costs and should be used to pay enforceable obligations on future ROPS. As noted in the table below, \$250,000 in excess ACA is not allowed:

| Administrative Cost Allowance (ACA) Calculation | |
|--|--------------------|
| Actual RPTTF distributed for fiscal year 2020-21 | \$0 |
| Less distributed Administrative RPTTF | (0) |
| Less sponsoring entity loan repayments | (0) |
| RPTTF distributed for 2020-21 after adjustments | \$0 |
| | |
| ACA Cap for 2021-22 per HSC section 34171 (b) | \$ 0 |
| Total ACA requested for 2021-22 | \$250,000 |
| ACA in Excess of the Cap | (\$250,000) |

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for ROPS 18-19 period. The ROPS 18-19 prior period adjustment (PPA) will offset the ROPS 21-22 RPTTF distribution. The County Auditor-Controller did not provide its review of the Agency's PPA for the ROPS 18-19 period as required by HSC section 34186. However, pursuant to Finance's April 12, 2018 ROPS 18-19 determination letter, the Agency was not authorized to receive RPTTF for the ROPS 18-19 period; therefore, a PPA to the Agency's ROPS 21-22 RPTTF distribution is not necessary.

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,201,197, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2021 through December 31, 2021 period (ROPS A period), and one distribution for the January 1, 2022 through June 30, 2022 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 21-22 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 21-22. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

The ROPS 21-22 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 21-22 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items 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 available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Todd Vermillion, Supervisor, or Michael Painter, Staff, at (916) 322-2985.

Sincerely,

Original signed by Cheryl L. McCormick for:

JENNIFER WHITAKER
Program Budget Manager

cc: Dawn Chandler, Supervising Accountant, Sonoma County
Dawn Calahan, Property Tax Manager, Sonoma County

| Approved RPTTF Distribution July 2021 through June 2022 | | | |
|--|---------------------|-------------------|---------------------|
| | ROPS A | ROPS B | Total |
| RPTTF Requested | \$ 1,259,850 | \$ 941,347 | \$ 2,201,197 |
| Administrative RPTTF Requested | 125,000 | 125,000 | 250,000 |
| Total RPTTF Requested | 1,384,850 | 1,066,347 | 2,451,197 |
| RPTTF Authorized | 1,259,850 | 941,347 | 2,201,197 |
| | | | |
| Administrative RPTTF Requested | 125,000 | 125,000 | 250,000 |
| Excess Administrative Costs | (125,000) | (125,000) | (250,000) |
| Administrative RPTTF Authorized | 0 | 0 | 0 |
| Total RPTTF Approved for Distribution | \$ 1,259,850 | \$ 941,347 | \$ 2,201,197 |

ICC: Painter, Vermillion, Takagi-Galamba, McAllister, McCormick, Whitaker

Final Path: J:\Audits and Review\ROPS 21-22 Letters PDF

Email Addresses of Addressee and ccs:

fina.rivera@sonoma-county.org

dawn.chandler@sonoma-county.org

Dawn.Calahan@sonoma-county.org