



April 13, 2013

Ingrid Alverde, Economic Development and Redevelopment Manager  
City of Petaluma Successor Agency  
P.O. Box 61  
Petaluma, CA 94953

Dear Ms. Alverde:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Petaluma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

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

- Item No. 29 – CIP Underground Tank Remediation in the amount of \$11,225. Documentation provided by Agency is not a valid contract. Therefore, this item is not considered an enforceable obligation and the amount requested during this ROPS period is denied.
- Item No. 33 – MISC SMART Lease in the amount of \$6,000 is partially denied. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying agreements, obligations, or contracts with any entity for any purpose. The current SMART Lease contract term ends on July 31, 2013. Therefore, this item is only considered an enforceable obligation through the month of July which is equivalent to one month's rent of \$1,000. The remaining requested amount of \$5,000 is not an enforceable obligation and is not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item No. 34 – MISC Ice House Lease in the amount of \$1,200. HSC section 34163 (c) prohibits a redevelopment agency from amending or modifying agreements, obligations, or contracts with any entity for any purpose. The Ice House Lease is a month to month agreement which can be terminated upon 30 days written notice. The Agency does not have the authority to extend this agreement. Therefore, this item is not considered an enforceable obligation and the amount requested during this ROPS period is denied.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items

where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet\\_and\\_confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is \$2,914,952 as summarized below:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 2,891,288
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 29	11,225
Item 33	5,000
Item 34	1,200
Total approved RPTTF for enforceable obligations	\$ 2,873,863
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	125,000
Minus: ROPS II prior period adjustment	(83,911)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 2,914,952</b>

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment, as well as an additional adjustment to comply with HSC 34177 (a) (3).

HSC 34177 (a) (3) states that only payments listed on the Recognized Obligation Payment Schedule (ROPS) may be made by the Agency from the funds specified on the ROPS. According to the CAC audit report, the Agency was authorized to expend \$125,000 of RPTTF for administrative expenses; however, the Agency actually expended \$154,826, for total unauthorized administrative expenditures in the amount of \$29,826. Therefore, the CAC prior period adjustment amount of \$54,085 has been increased by \$29,826 to \$83,911.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/>

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i).

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Finance's review of items that have received a Final and Conclusive determination 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 that was available prior to enactment of ABx1 26 and AB 1484. 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 to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Derk Symons, Lead Analyst at (916) 445-1546.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Szalay', with a stylized flourish extending to the left.

STEVE SZALAY

Local Government Consultant

cc: Ms. Sue Castellucci, Housing Coordinator, City of Petaluma  
Mr. Erick Roeser, Property Tax Manager, County of Sonoma  
California State Controller's Office