



May 17, 2013

Mr. John Haig, Redevelopment Manager  
Sonoma County Community Development Commission  
1440 Guerneville Road  
Santa Rosa, CA 95403

Dear Mr. Haig:

Subject: Recognized Obligation Payment Schedule

This letter supersedes California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sonoma County Community Development Commission (Agency) submitted ROPS 13-14A to Finance on February 27, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 1, 2013.

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 items being disputed.

- Item No. 99 – Roseland Village Environmental Contamination Clean Up in the amount of \$1,570,788. Finance's letter dated April 8, 2013 does not permit the Agency to retain reserve funds from its Other Funds and Accounts Due Diligence Review for this project. However, Finance does not contest the Agency's obligation to perform clean up under the Polanco Redevelopment Act. Once the Agency has contracts in place for this item, the Agency can request RPTTF funding on future ROPS. Therefore, this item is not eligible for funding on this 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 (RDA) and the former RDA are not enforceable. The following items continue not to be enforceable obligations because the underlying document is a reimbursement agreement between the Agency and the entity that created it – Sonoma County.

Reimbursement Agreements totaling \$14.6 million includes the following:

- Item 100 – Roseland Village Redevelopment in the amount of \$5.1 million
- Item 101 – Highway 12 Phase 2 in the amount of \$2.2 million
- Item 102 – Highway 12 Phase 2 in the amount of \$7.3 million

In relation to the bond proceeds identified as a funding source for Item No. 101, the item may be allowed for expenditure in the future per HSC section 34191.4, which states that any successor agency that has been issued a finding of completion by Finance may use proceeds derived from bonds issued on or before December 31, 2010, for the purposes for which the bonds were sold. The Agency has not been issued a finding of completion; therefore, the item is currently not an enforceable obligation.

- Item Nos. 103, 106, 107, 108, and 110 – Various agreements totaling \$376,228. These items include fiscal consulting, legal services, litigation expenses, and vehicle leases that were reclassified as administrative costs. The Agency contends these items are related to projects and litigation expenses and should be considered enforceable obligations instead of administrative costs. With the exception of Item No. 106, a legal services contract signed on April 30, 2012 expiring on June 30, 2013, the Agency provided contracts and agreements it intends to execute with the County of Sonoma and third party legal service providers for these items. Since there is currently no extension in place for the legal services agreement related to Item No. 106 and the remaining items do not have executed contracts approved by the Oversight Board, these items cannot be considered enforceable obligations for the ROPS 13-14A period and are not eligible for funding from RPTTF in the amount of \$376,226. In addition, the funding source for Item Nos. 106, 107, 108, and 110 were split between RPTTF and Administrative Cost Allowance (ACA); therefore, the requested amount of \$12,616 from ACA funding is also denied.

Actual litigation costs incurred and resulting from approved contracts and agreements related to item Nos. 106, 107, and 108 for Legal Services, may be considered enforceable obligations for RPTTF funding on future ROPS after the contracts are awarded if the Agency can demonstrate that the cost are project and/or litigation related. For example, Exhibit C of the proposed contract related to Item No. 103 - Fiscal Consulting describes the scope of work and the services as Accounting, Payroll, and Human Resource Management. This item, with the same scope on a valid contract, would remain classified as an administrative cost on future ROPS. In contrast, Exhibit E of the proposed contract related to Item No. 110, Leased Vehicles, describes the services as Preventive Maintenance, Fueling, Pool Rental Vehicles, Acquisition and Disposal, Financial and Information, and Miscellaneous. HSC section 34171 (b) allows for the maintenance of assets prior to disposition to be excluded from the administrative cost allowance; therefore, this item may be an enforceable obligation after a contract is awarded.

In addition, per Finance's ROPS letter dated April 12, 2013, the following items continue to be reclassified as administrative costs and were not contested by the Agency:

- The following items totaling \$48,218 are considered general administrative costs and have been reclassified. Although this reclassification increased administrative costs to \$160,602, the administrative cost allowance has not been exceeded.
  - Item No. 80 – Leased Space Rent
  - Item No. 81 – Lease/Support for Office Equipment
  - Item No. 87 – Supplies & Small Tools
  - Item No. 88 – Memberships
  - Item No. 89 – Subscriptions
  - Item No. 92 – Copier and Fax Supplies

- Item No. 93 – Equipment Repairs
- Item No. 94 – Document Security
- Items No. 95 and 96 – Recruitment Expenses
- Item No. 105 – Audit Services
- Item No. 109 – Board Services
- Item No. 111 – Computer Hardware and Software, Records
- Items No. 112 and 114 – Communications
- Item No. 113 – Postage

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. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on 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 Agency's maximum approved RPTTF distribution for the reporting period is \$1,216,242 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	\$ 1,921,561
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 80*	19,032
Item 81*	846
Item 87*	1,062
Item 88*	126
Item 89*	84
Item 92*	216
Item 93*	132
Item 94*	42
Item 95*	420
Item 96*	216
Item 100	319,477
Item 102	17,563
Item 103	50,000
Item 105*	5,000
Item 106	19,032
Item 107	210,000
Item 108	95,000
Item 109*	6,342
Item 110	2,196
Item 111*	6,900
Item 112*	3,804
Item 113*	2,856
Item 114*	1,140
Total approved RPTTF for enforceable obligations	\$ 1,160,075
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	160,602
Minus: ROPS II prior period adjustment	(104,435)
<b>Total RPTTF approved for distribution:</b>	<b>\$ 1,216,242</b>

\*Reclassified as administrative cost

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.

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/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

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). 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 Beliz Chappuie, Supervisor or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY  
Local Government Consultant

cc: Ms. Kathleen Kane, Executive Director, County of Sonoma  
Mr. Erick Roeser, Property Tax Manager, County of Sonoma  
California State Controller's Office