



November 7, 2013

Ms. Nancy Manchester, Program Specialist
City of Santa Rosa
90 Santa Rosa Avenue
Santa Rosa, CA 95404

Dear Ms. Manchester:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Rosa Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on September 25, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, 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 for the reasons specified:

- Item Nos. 10 and 11 – Revolving Lines of Credit (LOC) totaling \$22,207,641 (in the total amount of \$5,930,055 for Item No. 10 and \$16,277,586 for Item No. 11). It is our understanding that the LOC dated September 23, 2008 between the Agency and Exchange Bank allows the Agency to draw from the account for project related costs not to exceed \$14.7 million. The Agency has made three draws from the LOC which were supported by an amortization schedule. The six-month payment is \$553,166 for all three loans, \$147,918 for Item No. 10 and \$405,248 for Item No 11. The Agency is requesting an additional \$577,832, \$154,450 for Item No. 10 and \$423,382 for Item No. 11, to fund a reserve for the balloon payment which is due at the end of the terms of the agreement in June 2023. While this agreement is an enforceable obligation, the agreement does not require the Agency to fund a reserve at this time. Therefore, the additional requests of payments totaling \$577,832 are not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding at this time.
- Item Nos. 88 and 89 – ROPS 13-14A Period Unfunded Obligations Reimbursement Request totaling \$478,750 (\$226,151 and \$252,599, respectively). The Agency was approved \$3,084,023 for expenditures in the period of July through December 2013 (ROPS 13-14A). The Sonoma Auditor-Controller (CAC) reported that the Agency received a RPTTF distribution of \$2,605,273 and has demonstrated the Agency did experience a shortage of \$478,750. However, the Agency has used other resources to pay these obligations and is unable to disclose the funding sources used. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the

extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Therefore, the requests for unfunded obligations reimbursement are denied.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that are required to be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available balances totaling \$553,433 comprised of rents, interest, and a receivable collection.

Therefore, the funding source for the following items are being reclassified to reserve balances totaling \$553,433 and in the amounts specified below:

- Item No. 11 – Revolving LOC in the amount of \$393,433. The Agency requests \$828,630 of RPTTF and is approved for \$405,248; however Finance is reclassifying \$393,433 to Other balances. This item in the amount of \$405,248 was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has Other funds. Therefore, Finance is approving RPTTF in the amount of \$11,815 and the use of Other balances in the amount of \$393,433, totaling \$405,248 for Item No. 11.
- Item No. 24 – Coddington Transit Island (Project Management Costs) in the amount of \$35,000. The Agency requests \$35,000 of RPTTF; however Finance is reclassifying \$35,000 to Other balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has Other funds. Therefore, Finance is approving the use of Other balances in the amount of \$35,000 for Item No. 24.
- Item No. 40 – Administrative Activities in the amount of \$125,000. The Agency requests \$125,000 of RPTTF; however Finance is reclassifying \$125,000 to Other balances. This item was determined to be an enforceable obligation for the ROPS 13-14B period. However, the obligation does not require payment from property tax revenues and the Agency has Other funds. Therefore, Finance is approving the use of Other balances in the amount of \$125,000 for Item No. 40.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the CAC and the State Controller. The amount of RPTTF approved in the below table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for items denied in whole or in part as enforceable obligations or for items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 13-14B. If you disagree with the determination with respect to any items on your ROPS 13-14B, 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/

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,813,208 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	3,299,033
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations	\$ 3,424,033
Total RPTTF requested for non-administrative obligations	3,299,033
Denied Items	
Item No. 10	(154,450)
Item No. 11	(423,382)
Item No. 88	(226,151)
Item No. 89	(252,599)
Total RPTTF approved for non-administrative obligations	2,242,451
Total RPTTF requested for administrative obligations	125,000
Total RPTTF approved for administrative obligations	125,000
Total RPTTF approved for obligations	2,367,451
ROPS III prior period adjustment	(810)
Items reclassified due to funds that should be used prior to requesting RPTTF	
Item No. 11	(393,433)
Item No. 24	(35,000)
Item No. 40	(125,000)
Total RPTTF approved for distribution	\$ 1,813,208

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. Beginning with the ROPS 13-14B period, Finance required successor agencies to identify fund balances for various types of funds in its possession. During our ROPS 13-14B review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 13-14B review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15A.

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

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14B%20Forms%20by%20Successor%20Agency/).

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. 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 HSC section 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 Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Betsy Howze, Financial Reporting Manager, City of Santa Rosa
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office