



December 17, 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

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 7, 2013. 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 Finance on September 25, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 7, 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 November 20, 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 Nos. 10 and 11 – Revolving Lines of Credit (LOC) totaling \$22,207,641 (\$5,930,055 for Item No. 10 and \$16,277,586 for Item No. 11). The six-month payment is \$553,166 for all three loans (\$147,918 for Item No. 10 and \$405,248 for Item No. 11) were previously approved; however, the additional \$577,832 (\$154,450 for Item No. 10 and \$423,382 for Item No. 11) to fund a reserve for the balloon payment due in June 2023 was denied. Finance continues to deny the Agency's request for reserve funds. While this agreement is an enforceable obligation, it does not require the Agency to fund a reserve. In addition, while we note that section 2.3 of the Agreement allows the Agency to make principle payments without prepayment penalties, the Oversight Board has not made findings that prepaying the loan is in the best interest of the affected taxing entities as required by HSC 34181 (e). Therefore, the balloon payment reserve is not permitted and is 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). Finance no longer denies the items but reduces the amount to \$426,356 (\$193,466 + \$232,890, respectively) for the actual amounts expended for debt service. 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. The Agency provided documentation supporting \$426,356 in unfunded bond debt service payments were made paid between July and December, 2013 in accordance with HSC section 34183 (a) (2). Our review indicates that due to the RPTTF shortfall, the Agency used reserved project funds allowed in the Other Funds and Accounts Due Diligence Review to make debt service payments. Because the funds used were specifically reserved for other projects that may not qualify for additional funding, they must be replenished.

We remind the Agency that in accordance with HSC section 34177 (a), only those payments listed in a ROPS may be made from the funding source specified in the ROPS. However, this does not prevent the Agency from making payments from other funding sources with prior approval from the Oversight Board.

In addition, per Finance's letter dated November 7, 2013, we continue to make adjustments that were not contested by the Agency during the Meet and Confer. 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. The Agency's maximum approved RPTTF distribution for the reporting period is \$2,239,564 as summarized below:

<b>Approved RPTTF Distribution Amount For the period of January through June 2014</b>	
Total RPTTF requested for non-administrative obligations	3,299,033
Total RPTTF requested for administrative obligations	125,000
<b>Total RPTTF requested for obligations</b>	<b>\$ 3,424,033</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,299,033</b>
<u>Denied Items</u>	
Item No. 10	(154,450)
Item No. 11	(423,382)
Item No. 88	(32,685)
Item No. 89	(19,709)
	<u>(630,226)</u>
<b>Total RPTTF approved for non-administrative obligations</b>	<b>2,668,807</b>
<b>Total RPTTF requested for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF approved for administrative obligations</b>	<b>125,000</b>
<b>Total RPTTF approved for obligations</b>	<b>2,793,807</b>
ROPS III prior period adjustment	(810)
<u>Items reclassified due to funds that should be used prior to requesting RPTTF</u>	
Item No. 11	(393,433)
Item No. 24	(35,000)
Item No. 40	(125,000)
<b>Total RPTTF approved for distribution</b>	<b>\$ 2,239,564</b>

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/).

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 section 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 Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, 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