



November 15, 2013

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

Dear Mr. Haig:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Sonoma County Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 1, 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:

- Claimed Administrative Costs exceed the allowance by \$90,602. HSC section 34171 (b) limits the fiscal year 2013-2014 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. The Sonoma County Auditor-Controller's (CAC) Office distributed \$160,602 of administrative costs for the July through December 2013 period, thus leaving a balance of \$89,398 available for the January through June 2014 period. Although \$180,000 is claimed for administrative cost, only \$89,398 is available pursuant to the cap. Therefore, \$90,602 of excess administrative cost is not allowed.
- Item No. 75 – Personnel Costs in the amount of \$40,000 is partially denied. The Agency requests Redevelopment Property Tax Trust Fund (RPTTF) funding in the amount of \$200,000 of which \$40,000 of personnel costs relates to Item Nos. 100 and 101. Personnel costs are enforceable obligations to the extent they are associated with an enforceable obligation. Item Nos. 100 and 101 are not enforceable obligations as described below. Therefore, \$40,000 of personnel costs is not an enforceable obligation and not eligible for RPTTF funding.
- Item No. 99 – Roseland Village Environmental Contamination Clean Up in the amount of \$1,170,250. The Agency requests to utilize their reserve balances to fund this project. However, Finance's letter dated April 8, 2013 did not permit the Agency to retain reserve balances from its Other Funds and Accounts Due Diligence Review for this project. Furthermore, the Agency's obligation to perform clean up under the Polanco

Redevelopment Act is an enforceable obligation and eligible for RPTTF funding. Therefore, this item has been reclassified to RPTTF.

- Item Nos. 100 and 101 – Reimbursement Agreements totaling \$15,488,160 (\$5,487,447 and \$9,960,713, respectively). The Agency requests a total of \$1,679,750 for Item No. 100 to utilize their reserve balances in the amount of \$76,574 and RPTTF funding in the amount of \$1,603,176 for the Roseland Village Redevelopment Project. For Item No. 101, the Agency requests a total of \$9,960,713 to be funded by RPTTF in the amount \$2,591,628, \$2,216,178 in bond proceeds, and \$5,152,907 in reserve balances for the Highway 12 Phase 2 Stage 2 Project.

HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the redevelopment agency (RDA) and the former RDA are not enforceable obligations. These items are not considered enforceable obligations because the underlying documents are reimbursement agreements between the Agency and the entity that created it – Sonoma County.

Furthermore, 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 pursuant to HSC section 34191.4, which states that any successor agency that has been issued a Finding of Completion (FOC) by Finance may use proceeds derived from bonds issued on or before December 31, 2010, for the purpose for which the bonds were sold. The Agency has not been issued FOC; therefore, Item No. 101 is currently not an enforceable obligation. Item Nos. 100 and 101 totaling \$15,488,160 are not enforceable obligations and not eligible for funding.

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 the items denied in whole or in part as enforceable obligations, 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 \$2,114,150 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2014	
Total RPTTF requested for non-administrative obligations	5,141,367
Total RPTTF requested for administrative obligations	180,000
Total RPTTF requested for obligations	\$ 5,321,367
Total RPTTF requested for non-administrative obligations	5,141,367
<u>Denied Items</u>	
Item No. 75	(40,000)
Item No. 100	(1,603,176)
Item No. 101	(2,591,628)
<u>Reclassified Item</u>	
Item No. 99	1,170,250
Total RPTTF approved for non-administrative obligations	2,076,813
Total RPTTF requested for administrative obligations	180,000
Total RPTTF allowable for administrative obligations (see Admin Cost Cap table below)	89,398
Total RPTTF approved for obligations	2,166,211
ROPS III prior period adjustment	(52,061)
Total RPTTF approved for distribution	\$ 2,114,150
Administrative Cost Cap Calculation	
Total RPTTF for 13-14A (July through December 2013)	1,216,242
Total RPTTF for 13-14B (January through June 2014)	2,076,813
Total RPTTF for fiscal year 2013-14	\$ 3,293,055
Allowable administrative cost for fiscal year 2013-14 (Greater of 3% or \$250,000)	250,000
Administrative allowance for 13-14A (July through December 2013)	160,602
Allowable RPTTF distribution for administrative cost for ROPS 13-14B	\$ 89,398

Pursuant to HSC section 34177 (I) (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. Kathleen Kane, Executive Director, Sonoma County
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office