



December 17, 2013

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

Dear Mr. Haig:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated November 15, 2013. 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 Finance on October 1, 2013, for the period of January through June 2014. Finance issued a ROPS determination letter on November 15, 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 December 3, 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. 75 – Personnel Costs in the amount of \$40,000 is partially denied. Finance continues to deny \$40,000 of this item. 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. Finance initially denied \$40,000 of this item as Item Nos. 100 and 101 are not enforceable obligations as discussed 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. Finance initially reclassified the funding source for this item to the RPTTF as Finance's Other Funds and Accounts (OFA) Due Diligence Review (DDR) letter dated April 8, 2013 did not permit the Agency to retain reserve balances for this project. As stated below, Finance was unable to reconcile the financial records to the amounts reported as the fund balances for the various types of funds in the Agency's possession. During the Meet and Confer process, the Agency asserts that there are sufficient balances available after the OFA DDR payment was made to cover these expenditures. Finance notes that the full amount of the OFA DDR amount due was not remitted, which may be the balances the Agency is referencing.

However, based on additional review of this item during the Meet and Confer, Finance determined that it is not an enforceable obligation. Based on information provided by the Agency, the property was transferred to the Sonoma County Housing Authority as of February 12, 2012. HSC section 34176 (a) (1) states if an entity assumes the authority to perform housing functions previously performed by a redevelopment agency, all rights, powers, duties, obligations, and housing assets shall be transferred to that entity. Because the Sonoma County Housing Authority assumed the housing function, all obligations associated with these functions are the responsibility of the Sonoma County Housing Authority, not the Agency. Therefore, this item is not eligible for Reserve or RPTTF funding.

- Item Nos. 100 and 101 – Reimbursement Agreements totaling \$15,488,160 (\$5,487,447 and \$9,960,713, respectively). Finance continues to deny these items. 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 \$2,591,628 from the RPTTF, \$2,216,178 from bond proceeds, and \$5,152,907 from Reserve balances for the Highway 12 Phase 2 Stage 2 Project.

Finance denied this item as 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.

In addition, per Finance's letter dated November 15, 2013, we continue to deny the following item not contested by the Agency during the Meet and Confer

- 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.

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. The Agency's maximum approved RPTTF distribution for the reporting period is \$943,900 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
Denied Items	
Item No. 75	(40,000)
Item No. 100	(1,603,176)
Item No. 101	(2,591,628)
Total RPTTF approved for non-administrative obligations	906,563
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	995,961
ROPS III prior period adjustment	(52,061)
Total RPTTF approved for distribution	\$ 943,900
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)	906,563
Total RPTTF for fiscal year 2013-14	\$ 2,122,805
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 (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_13-14B_Forms_by_Successor_Agency/).

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 Mary Halterman, 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