



April 11, 2014

Ms. Kate Goldfine, Administrative Services Officer  
City of Santa Rosa  
90 Santa Rosa Avenue  
Santa Rosa, CA 95404

Dear Ms. Goldfine:

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 14-15A) to the California Department of Finance (Finance) on February 28, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, 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 or the funding should be adjusted for the reasons specified:

- Item Nos. 3, 7, and 8 – Tax Allocation Bonds (TAB) and Certificates of Participation (COP) totaling \$11,223. The Agency requests Redevelopment Property Tax Trust Funds (RPTTF) funding for these items; however, based upon our review, the following adjustments are necessary to agree with the bond debt service payment schedules for the period ending February 1, 2014 and August 1, 2014 for Item No. 3 and April 1, 2014 and October 1, 2014 for Item Nos. 7 and 8. The Agency's methodology takes the principal and interest payments applicable for each fiscal year and divides by two to determine the amount to request on ROPS.

However, the Agency has erroneously requested for payments applicable to the next two periods pertaining to February 1, 2015 and August 1, 2015 for Item No. 3 and April 1, 2015 and October 1, 2015 for Item Nos. 7 and 8. As such, the Agency has omitted requesting the portion representing the remaining half payments of the prior two payment periods. The adjustments below represent the net results of the difference between the payment periods as mentioned above:

- Item No. 3 – 2005A TAB in the amount of \$1,781 (\$87,889 - \$86,108)
- Item No. 7 – 2005A COP in the amount of \$745 (\$70,925 - \$70,180)
- Item No. 8 – 2005B COP in the amount of \$8,697 (\$709,018 - \$700,321)

- Item Nos. 13, 17, 22, and 33 – City of Santa Rosa (City) loans and agreements between the City and the Agency totaling \$1,105,289 are not enforceable obligations at this time. Finance has denied these items on prior ROPS' and continues to be denied. These items are not enforceable obligations as determined by Finance's December 18, 2012 ROPS III Meet and Confer determination letter. 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, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. These loans and agreements were issued after the first two years of the former RDA's creation and are not associated with the issuance of debt. Therefore, these items are not enforceable obligations and are not eligible for RPTTF on this ROPS.

Upon receiving a Finding of Completion (FOC) from Finance and after the oversight board makes a finding the loan was for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item Nos. 72, 73, 76, 77, and 80 – Funding Agreements between the City and the Agency totaling \$1,553,109 are not enforceable obligations at this time. Finance has denied these items on prior ROPS' and continues to be denied. These items are not enforceable obligations as determined in Finance's December 18, 2012 ROPS III Meet and Confer determination letter. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. These agreements were issued after the first two years of the former RDA's creation and are not associated with the issuance of debt. Therefore, these items are not enforceable obligations and are not eligible for Bond Proceeds on this ROPS.

Upon receiving a FOC from Finance and after the oversight board makes a finding the loan agreements were for legitimate redevelopment purposes, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.

- Item No. 91 – Housing Authority Administrative Cost in the amount of \$75,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the redevelopment agency elected to not assume the housing functions. Because the housing entity to the former redevelopment agency of the City of Santa Rosa is the City-formed Housing Authority (Authority), the Authority operates under the control of the City. Therefore, \$75,000 of housing entity administrative allowance is not allowed and not eligible for funding on ROPS.

In addition, with the Agency's concurrence, the following adjustment was made:

Item No. 2 – 2005A TAB in the amount of \$3,100. The Agency has erroneously underfunded the August 1, 2014 bond payment by \$3,100 as a result of the review similar to Item Nos. 3, 7, and 8 above. However, in this case, this item was underfunded. The Agency has concurred with Finance to adjust the original estimate from \$436,700 to \$439,800 during the ROPS 14-15A period.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should 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 rental revenue and a loan receivable (Other Funds) totaling \$545,243.

Therefore, with the Agency's concurrence, the funding source for the following items have been reclassified to Other Funds and in the amounts specified below:

- Item No. 10 – Revolving Line of Credit in the amount of \$147,918. The Agency requests \$147,918 of RPTTF; however, Finance is reclassifying \$147,918 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require payment from property tax revenues and the Agency has \$545,243 in available Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$147,918.
- Item No. 11 – Revolving Line of Credit in the amount of \$397,325. The Agency requests \$405,248 of RPTTF; however, Finance is reclassifying \$397,325 to Other Funds. This item is an enforceable obligation for the ROPS 14-15A period. However, the obligation does not require full payment from property tax revenues and the Agency has \$397,325 (\$545,243 - \$147,918) in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$7,923 and the use of Other Funds in the amount of \$397,325, totaling \$405,248.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies 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 table below 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 and the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$1,837,208 as summarized below:

| <b>Approved RPTTF Distribution</b>   |                     |
|--|---------------------|
| <b>For the period of July through December 2014</b>                              |                     |
| Total RPTTF requested for non-administrative obligations                         | 3,370,863           |
| Total RPTTF requested for administrative obligations                             | 200,000             |
| <b>Total RPTTF requested for obligations</b>                                     | <b>\$ 3,570,863</b> |
|  |                     |
| Agency requested RPTTF adjustment to non-administrative obligation<br>Item No. 2 | 3,100               |
| <b>Total Agency requested RPTTF adjustments</b>                                  | <b>\$ 3,100</b>     |
| <b>Total RPTTF requested for non-administrative obligations</b>                  | <b>3,373,963</b>    |
| <u>Denied Items</u>  |                     |
| Item No. 3   | (1,781)             |
| Item No. 7   | (745)               |
| Item No. 8   | (8,697)             |
| Item No. 13  | (480,649)           |
| Item No. 17  | (464,242)           |
| Item No. 22  | (90,768)            |
| Item No. 33  | (69,630)            |
|  | (1,116,512)         |
| <b>Total RPTTF for non-administrative obligations</b>                            | <b>2,257,451</b>    |
| <u>Cash Balances - Items reclassified to Other Funds</u>                         |                     |
| Item No. 10  | (147,918)           |
| Item No. 11  | (397,325)           |
|  | (545,243)           |
| <b>Total RPTTF authorized for non-administrative obligations</b>                 | <b>\$ 1,712,208</b> |
| <b>Total RPTTF requested for administrative obligations</b>                      | <b>200,000</b>      |
| <u>Denied Item</u>   |                     |
| Item No. 91  | (75,000)            |
| <b>Total RPTTF authorized for administrative obligations</b>                     | <b>\$ 125,000</b>   |
| <b>Total RPTTF authorized for obligations</b>                                    | <b>\$ 1,837,208</b> |
| ROPS 13-14A prior period adjustment  | 0                   |
| <b>Total RPTTF approved for distribution</b>                                     | <b>\$ 1,837,208</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. During the ROPS 14-15A review, Finance requested financial records to support the cash 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 14-15A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies 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 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