

November 13, 2014

Ms. Jone Hayes, Administrative Services Director
City of Healdsburg
401 Grove Street
Healdsburg, CA 95448

Dear Ms. Hayes:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Healdsburg Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 30, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

Item Nos. 71 and 72 – 2014 Tax Allocation Bond (TAB) Refunding Bond Series B and Trustee Agreement in the amounts of \$45,000 and \$3,000, respectively, are denied. The Agency requests Redevelopment Property Tax Trust Fund (RPTTF) funding totaling \$48,000. This pertains to the refunding of the Agency's 2003 TAB Series A and B which are listed as Item Nos. 4 and 5 on ROPS 14-15B. Finance has not issued a determination for the Agency's Oversight Board (OB) Resolution No. OB5-2014 relating to the refunding of these bonds. Finance's eventual determination will be specifically conditioned on the understanding that no refunding bonds will be issued unless such bonds meet the limitations in HSC section 34177.5 (a). Once Finance determines the refunding is in compliance with HSC section 34177.5 (a), the Agency may request funding for these items on future ROPS. Therefore, these items are not eligible for RPTTF funding at this time.

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 unrestricted Reserve Balances in the amount of \$4,028,446 relating to the Local Agency Investment Fund account. The total amount reclassified from RPTTF to Reserve Balances during ROPS 14-15B totaled to \$1,259,599 leaving an excess in Reserve Balances of \$2,768,847 (\$4,028,446 - \$1,259,599). The current approved RPTTF is insufficient to allow for

the remaining excess in Reserve Balances during this ROPS period. The Agency should apply the remaining Reserve Balances of \$2,768,847 prior to requesting RPTTF on future ROPS.

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

Item No.	Project Name/ Debt Obligation	ROPS 14-15B Amount of RPTTF Requested	Amount Reclassified to Reserve Balances
4	2003 TAB Series A	\$ 282,816	\$ 282,816
5	2003 TAB Series B	139,521	139,521
6	2010 TAB	512,925	512,925
8	Trustee Agreement	3,500	3,500
9	Trustee Agreement	2,400	2,400
56	Successor Agency Administrative Cost - Personnel	20,000	20,000
58	Legal Services	10,000	10,000
59	Legal Services	10,000	10,000
60	Legal Notices	500	500
61	Postage	500	500
62	Area Property Management	10,000	10,000
63	Continuing Disclosure Services	9,000	9,000
65	Audit Services	6,000	6,000
66	Boys and Girls Club	5,000	5,000
67	2014 TAB Refunding Bond Series A	175,422	175,422
68	2014 TAB Refunding Bond Series B	69,015	69,015
69	Trustee Agreement	3,000	3,000
	Total	\$ 1,259,599	\$ 1,259,599

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 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 on the following page includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, 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 zero as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,236,599
Total RPTTF requested for administrative obligations	71,000
Total RPTTF requested for obligations on ROPS	\$ 1,307,599
Total RPTTF requested for non-administrative obligations	1,236,599
<u>Denied Items</u>	
Item No. 71	(45,000)
Item No. 72	(3,000)
	<u>(48,000)</u>
Total RPTTF for non-administrative obligations	1,188,599
<u>Cash Balances - Items reclassified to Reserve Balances</u>	
Item No. 4	(282,816)
Item No. 5	(139,521)
Item No. 6	(512,925)
Item No. 8	(3,500)
Item No. 9	(2,400)
Item No. 67	(175,422)
Item No. 68	(69,015)
Item No. 69	(3,000)
	<u>(1,188,599)</u>
Total RPTTF authorized for non-administrative obligations	0
Total RPTTF requested for administrative obligations	71,000
<u>Reclassified Items</u>	
Item No. 56	(20,000)
Item No. 58	(10,000)
Item No. 59	(10,000)
Item No. 60	(500)
Item No. 61	(500)
Item No. 62	(10,000)
Item No. 63	(9,000)
Item No. 65	(6,000)
Item No. 66	(5,000)
	<u>(71,000)</u>
Total RPTTF authorized for administrative obligations	0
Total RPTTF authorized for obligations	0
ROPS 13-14B prior period adjustment	0
Total RPTTF approved for distribution	0

Please refer to the ROPS 14-15B 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 January 1 through June 30, 2015. 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 the 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 agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

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
Acting Program Budget Manager

cc: Mr. David Mickaelian, Assistant City Manager, City of Healdsburg
Mr. Randy Osborn, Property Tax Manager, County of Sonoma
California State Controller's Office