



November 7, 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 14-15B) to the California Department of Finance (Finance) on September 25, 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. 13, 17, 22, and 33 – Loans and agreements between the City of Santa Rosa (City) and the former City of Santa Rosa Redevelopment Agency (RDA) totaling \$6,914,311 are not enforceable obligations and not eligible for funding on ROPS. 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 executed within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. The loans and agreements were executed 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 funding on ROPS.
- Item Nos. 72, 73, 76, 77, and 80 – Funding Agreements between the City and the former RDA totaling \$1,553,109 funded from Bond Proceeds are not enforceable obligations and not eligible for funding on ROPS. 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. The 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 funding on ROPS.

- Item No. 91 – Housing Authority Administrative Costs in the amount of \$75,000 and with a total outstanding obligation of \$600,000 is not an enforceable obligation and not eligible for funding on ROPS. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance (ACA) is only appropriate if the city, county, or city and county that authorized the creation of the former RDA elected to not assume the housing functions of the former RDA. The City of Santa Rosa's Housing Authority (City Housing Authority) elected to retain the housing functions of the former RDA. The City Housing Authority is considered a component of the City. Therefore, the City Housing Authority is not eligible for the housing successor ACA.

In addition, Finance made the following adjustments:

- Item No. 23 – Coddington Owner Participation Agreement requested and authorized Reserve Balances funding has been adjusted from \$0 to \$1,500,000. In ROPS 14-15A, the Agency was authorized for Reserve Balances in the amount of the remaining total outstanding obligation of \$1,500,000. However, due to unforeseen delays, the Agency may have to make the final payment after the ROPS 14-15A period. Consequently, the Agency requested authorization for Reserve Balances expenditures in the ROPS 14-15B period. Finance determined Item No. 23 to be an enforceable obligation. Therefore, Finance increases the Agency's ROPS 14-15B authorization from \$0 to \$1,500,000 in Reserve Balances.
- Item No. 81 – Sonoma Marin Area Rail Transit Trail Funding Agreement in the amount of \$487,460 has been reclassified from Reserve Balances to Bond Proceeds funding. Pursuant to Section (2) (B) of the Funding Agreement, the Agency's obligation may be funded from any available funds, including any bonds issued by the Agency. The Agency contends that the Agency's remaining Bond Proceeds are encumbered by various other projects and shall be expended after the receipt of a Finding of Completion (FOC). Per HSC section 34191.4 (c) (2) (A), after the receipt of an FOC, bond proceeds in excess of the amounts needed to satisfy enforceable obligations on ROPS shall thereafter be expended in a manner consistent with the original bond covenants. The Agency has yet to receive an FOC. As such, the Agency cannot consider any of their Bond Proceeds excess or encumber them on non-enforceable obligations. Item No. 81 is an enforceable obligation and eligible for Bond Proceeds funding. Therefore, this item is reclassified from Reserve Balances to Bond Proceeds funding in the amount of \$487,460.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (I) (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. During the All Other Funds and Accounts Due Diligence Review, the Agency was allowed to retain Reserve Balances authorized for expenditure during the ROPS III and ROPS 13-14A periods. Included in both retention amounts was \$2,200,000 in Reserve Balances for ROPS Item No. 23 – Coddington Owner Participation Agreement. Consequently, the Agency was able to retain a total of \$4,400,000 for a ROPS item with a total obligation of \$2,200,000. As such, \$2,200,000 of Reserve Balances are unencumbered and should be available to fund approved ROPS 14-15B obligations.

Therefore, the funding source for the following items, which were determined to be enforceable obligations for the ROPS 14-15B period are being reclassified to Reserve Balances totaling \$2,200,000 in the amounts specified below:

Item No.	Project Name / Debt Obligation	Requested RPTTF	Amount Reclassified to Reserve Balances
1	2002A Bond Debt Service	\$ 347,396	\$ 135,108
2	2005A Bond Debt Service	436,700	436,700
3	2005B Bond Debt Service	87,889	87,889
4	2002 Bond Fee	2,860	2,860
5	2005 Bond Fee	4,850	4,850
7	2005A Certificate of Participation	70,925	70,925
8	2005B Certificate of Participation	709,018	709,018
9	2005 Certificate of Participation Bond Fee	4,850	4,850
10	Revolving Line of Credit	147,918	147,918
11	Revolving Line of Credit	405,248	405,248
40	Administrative Activities	125,000	125,000
90	Litigation Related Expenses	50,000	50,000
92	Litigation Related Expenses from ROPS 13-14B	19,634	19,634
	<b>Total</b>	<b>\$ 2,412,288</b>	<b>\$ 2,200,000</b>

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 review 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 review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part 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/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$212,288 as summarized in the Approved RPTTF Distribution table below:

<b>Approved RPTTF Distribution</b>	
<b>For the period of January through June 2015</b>	
Total RPTTF requested for non-administrative obligations	3,392,577
Total RPTTF requested for administrative obligations	200,000
<b>Total RPTTF requested for obligations on ROPS</b>	<b>\$ 3,592,577</b>
<b>Total RPTTF requested for non-administrative obligations</b>	<b>3,392,577</b>
<u>Denied Items</u>	
Item No. 13	(480,649)
Item No. 17	(464,242)
Item No. 22	(90,768)
Item No. 33	(69,630)
	(1,105,289)
<b>Total RPTTF for non-administrative obligations</b>	<b>2,287,288</b>
<u>Cash Balances - Items reclassified to Reserve Balances</u>	
Item No. 1	(135,108)
Item No. 2	(436,700)
Item No. 3	(87,889)
Item No. 4	(2,860)
Item No. 5	(4,850)
Item No. 7	(70,925)
Item No. 8	(709,018)
Item No. 9	(4,850)
Item No. 10	(147,918)
Item No. 11	(405,248)
Item No. 90	(50,000)
Item No. 92	(19,634)
	(2,075,000)
<b>Total RPTTF authorized for non-administrative obligations</b>	<b>\$ 212,288</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 for administrative obligations</b>	<b>125,000</b>
<u>Cash Balances - Item reclassified to Reserve Balances</u>	
Item No. 40	(125,000)
<b>Total RPTTF authorized for administrative obligations</b>	<b>0</b>
<b>Total RPTTF authorized for obligations</b>	<b>\$ 212,288</b>
ROPS 13-14B prior period adjustment	0
<b>Total RPTTF approved for distribution</b>	<b>\$ 212,288</b>

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. During the ROPS 14-15B review, Finance requested financial records to support the cash balances reported by the Agency; however, Finance was unable to fully 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 15-16A.

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: Ms. Cheryl Reynolds, Accountant, City of Santa Rosa  
Mr. Randy Osborn, Property Tax Manager, County of Sonoma  
California State Controller's Office