

April 2, 2015

Ms. Jessica O'Connell, Accountant II
City of Cotati
201 West Sierra Avenue
Cotati, CA 94931

Dear Ms. O'Connell:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Cotati Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 24, 2015 for the period of July 1, 2015 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, 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. 19 and 24 – Long-Range Property Management Plan Development and Implementation costs in the amount of \$30,000 and \$35,000, respectively, are not enforceable obligations at this time. No documentation was provided to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as detail budgets to support the requested funding, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) on future ROPS.
- Item No. 23 – Contract Services in the amount of \$84,100 is not an obligation of the Agency. It is our understanding this agreement entered into on January 27, 2011 is between the City of Cotati and De Novo Planning Group, and the former redevelopment agency (RDA) is not a party to the contract. Therefore, this line item is not enforceable obligation and is not eligible for RPTTF.
- 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 \$113,532 of unrestricted cash available for ROPS 15-16A expenditures.

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

Item No.	Project Name/Debt Obligation	Requested RPTTF	Amount Reclassified to Other Funds
1	2001 Tax Allocation Bonds	\$5,578	\$5,578
2	2004 Tax Allocation Refunding Bonds	\$7,577	\$7,577
4	CRUSD Court Settled Payment	\$47,130	\$47,130
21	Bond Trustee Services	\$2,400	\$2,400
	Total	\$62,685	\$62,685

The items above are enforceable obligations for the ROPS 15-16A period. However, the obligations do not require payment from property tax revenues and the Agency has \$113,532 in available Other Funds. Therefore, Finance is approving the use of Other Funds in the total amount of \$62,685.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b). However, Finance notes the oversight board has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate oversight when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 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 next 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 that have been denied or reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, 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 \$124,571 as summarized in the Approved RPTTF Distribution table on the next page.

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	211,785
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 336,785
Total RPTTF requested for non-administrative obligations	211,785
Denied Items	
Item No. 19	(30,000)
Item No. 23	(84,100)
Item No. 24	(35,000)
	(149,100)
Cash Balances - Items reclassified to Other Funds	
Item No. 1	(5,578)
Item No. 2	(7,577)
Item No. 4	(47,130)
Item No. 21	(2,400)
	(62,685)
Total RPTTF authorized for non-administrative obligations	\$ 0
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 125,000
ROPS 14-15A prior period adjustment	(429)
Total RPTTF approved for distribution	\$ 124,571

Please refer to the ROPS 15-16A 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, 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 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 Erika Santiago, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. David Spilman, Interim Director of Finance, City of Cotati
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office