



April 15, 2015

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 15-16A) to the California Department of Finance (Finance) on March 3, 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. 4 and 5 – 2003 Tax Allocation Bonds, Series A and B in the amount of \$627,816 and \$459,043, respectively, are denied. The Agency requests debt service funding totaling \$1,086,859; however, these bonds have been refunded by the 2015 Tax Allocation Bonds Refunding Bond Series A and B, which are funded on ROPS 15-16A Items Nos. 70 and 71. Therefore, it is not necessary to fund Item Nos. 4 and 5 on this ROPS.
- Item Nos. 37, 39, 44, and 45 – Bond related expenditures totaling \$4,560,000 are not obligations of the Agency. It is our understanding the Agency is not a party to the agreements associated with these item numbers. Therefore, the Agency is not responsible to make payments for the City of Healdsburg's obligations. These line items are not enforceable obligations and are not eligible for Bond Proceeds on this ROPS.

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 (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 Reserve Balances beyond the RPTTF requested for this ROPS period.

Therefore, the funding source for the following item has been reclassified to Reserve Balances and in the amount specified below:

- Item No. 73 – Personnel, Supplies, Legal, and Audit costs in the amount of \$125,000. The Agency requests \$125,000 of RPTTF; however, Finance is reclassifying \$125,000 to Reserve Balances. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has \$125,000 in available Reserve Balances. Therefore, Finance is approving the use of Reserve Balances in the amount of \$125,000.

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. While Finance did receive the review results done by the CAC, the amount of RPTTF approved in the table on the next page reflects the prior period adjustment self-reported by the Agency.

The amount of RPTTF approved (in the table on the next page) includes an excess PPA of \$71,545. The RPTTF approved for ROPS 15-16A obligations totaling \$0 is insufficient to allow for the ROPS 14-15A PPA of \$71,545. Finance notes the excess PPA of \$71,545 is in addition to the Reserve Balances of \$8,771,507 remaining after the reclassification addressed above (\$8,896,507 - \$125,000). Therefore, the Agency's Reserve Balances now total \$8,843,052 (\$8,771,507 + \$71,545). As such, the Agency should use the Reserve Balances on future ROPS, prior to requesting RPTTF.

Except for the items denied in whole or in part or item that have been 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 zero, 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	0
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS	\$ 125,000
Total RPTTF requested for non-administrative obligations	0
Total RPTTF authorized for non-administrative obligations	\$ 0
Total RPTTF requested for administrative obligations	125,000
Reclassified Items - Item reclassified to Reserve Balances	
Item No. 73	(125,000)
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 0
ROPS 15-16A prior period adjustment	(71,545)
Excess PPA	71,545
Total RPTTF approved for distribution	0

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.

Ms. Jone Hayes
April 15, 2015
Page 4

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