DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

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April 9, 2015

Ms. Ingrid Alverde, Economic Development and Redevelopment Manager
City of Petaluma
P.O. Box 61
Petaluma, CA 94953

Dear Ms. Alverde:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Petaluma Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on February 26, 2015 for the period July 1 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. 25 and 43 through 44 – East Washington Interchange contracts totaling $208,000 is not approved. It is our understanding these agreements are between the City of Petaluma (City) and various third parties, and the former redevelopment agency (RDA) is not a party to the contracts. Therefore, these line items are not enforceable obligations of the Agency and are not eligible for Bond Proceeds on this ROPS.

  The Agency received a Finding of Completion on May 29, 2013, and therefore, is authorized to request the use of their pre-2011 bond proceeds for projects consistent with the bond covenants. To the extent the Agency can support amounts requested either through contracts where the Agency is a party, or through a bond expenditure agreement with the City wherein all the pre-2011 bond proceeds transfer to the City, these items may be eligible for funding in future ROPS.

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 Redevelopment Property Tax Trust Fund (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.

The Agency's maximum approved RPTTF distribution for the reporting period is $2,002,514 as summarized in the Approved RPTTF Distribution table on the following page:

| **Approved RPTTF Distribution For the period of July through December 2015** | | |
|---|---|---|
| Total RPTTF requested for non-administrative obligations | | 1,877,514 |
| Total RPTTF requested for administrative obligations | | 125,000 |
| **Total RPTTF requested for obligations on ROPS** | **$** | **2,002,514** |
| | | |
| **Total RPTTF requested for non-administrative obligations** | | **1,877,514** |
| **Total RPTTF authorized for non-administrative obligations** | **$** | **1,877,514** |
| | | |
| **Total RPTTF requested for administrative obligations** | | **125,000** |
| **Total RPTTF authorized for administrative obligations** | **$** | **125,000** |
| | | |
| **Total RPTTF authorized for obligations** | **$** | **2,002,514** |
| ROPS 14-15A prior period adjustment | | 0 |
| **Total RPTTF approved for distribution** | **$** | **2,002,514** |

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 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the amounts reported. After review of the cash balance, it appears there is a significant negative balance of $626,046 which represents thirty-one percent of the total approved RPTTF. As a result, Finance will continue to work with the Agency after the ROPS 15-16A 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 15-16B.

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: Ms. Sue Castellucci, Housing Coordinator, City of Petaluma
Mr. Randy Osborn, Property Tax Manager, Sonoma County
California State Controller's Office